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THE ABRIDGMENT

FOR THE FISCAL YEAR ENDING JUNE 30, 1903.

MESSAGE

FROM THE

PRESIDENT OF THE UNITED STATES

TO THE

TWO HOUSES OF CONGRESS

AT THE BEGINNING OF THE

SECOND SESSION OF THE FIFTY-EIGHTH CONGRESS,

WITH THE

REPORTS OF THE HEADS OF DEPARTMENTS

AND

SELECTIONS FROM ACCOMPANYING DOCUMENTS.

IN TWO VOLUMES.

VOL. 1.

COMPILED AND EDITED UNDER THE DIRECTION OF
THE JOINT COMMITTEE ON PRINTING.

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PREFACE.

This work is authorized by section 76 of the act of January 12, 1895, and is compiled and edited under the direction of the Joint Committee on Printing.

Owing to the fact that the reports herein abridged were rendered in larger volume than in past years, it has been found necessary, to avoid an impairment of the usefulness of the abridgement, to issue this compilation in two compact volumes, rather than in one volume of inconvenient bulk.

Volume 1 contains the Message of the President and the reports of the Secretaries of the Treasury and War, and of the Attorney-General and Postmaster-General, with papers accompanying the same.

Volume 2 contains the reports of the Secretaries of the Navy, Interior, Agriculture, and the Department of Commerce and Labor, with selections from the accompanying documents.

At the end of volume 2 will be found an index more ample than has heretofore been used in connection with this work.

Attention is invited to the fact that the documents herein abridged are those covering the fiscal year commencing July 1, 1902, and ending with June 30, 1903, and therefore rightfully cover the period commonly known as "1902–3." It will be observed by reference to previous abridgments that an error in the designation of the period supposed to be covered has been indulged in for many years. The object of this notice is to correct a long-standing misconception and to remove any confusion that may be occasioned by the apparent conflict of dates between the present compilation and that immediately preceding it.

172

CONTENTS VOLUME I.

	Page.
MESSAGE OF THE PRESIDENT	7–42
REPORT OF THE SECRETARY OF THE TREASURY	43–90
Treasurer	91–136
Director of the Mint	136–196
Comptroller of the Currency	196–243
Register of the Treasury	243–260
Commissioner of Internal Revenue	260–272
REPORT OF THE SECRETARY OF WAR	273–322
Chief of Staff	323–333
Acting Adjutant-General	333–382
Inspector-General	383–410
Judge-Advocate-General	410–414
Quartermaster-General	415–429
Commissary-General	429–457
Surgeon-General	458–484
Paymaster-General	485–490
Chief of Engineers	491–509
Chief of Ordnance	509–528
Chief Signal Officer	529–558
Chief of the Record and Pension Office	558–568
United States Philippine Commission	568–575
Civil governor of the Philippine Islands	575–638
REPORT OF THE ATTORNEY-GENERAL	639–678
REPORT OF THE POSTMASTER-GENERAL	679–714
Assistant Attorney-General for the Post-Office Department	715–721
First Assistant Postmaster-General	721–760
Second Assistant Postmaster-General	760–790
Third Assistant Postmaster-General	790–810
Fourth Assistant Postmaster-General	811–867

MESSAGE.

To the Senate and House of Representatives:

The country is to be congratulated on the amount of substantial achievement which has marked the past year both as regards our foreign and as regards our domestic policy.

With a nation as with a man the most important things are those of the household, and therefore the country is especially to be congratulated on what has been accomplished in the direction of providing for the exercise of supervision over the great corporations and combinations of corporations engaged in interstate commerce. The Congress has created the Department of Commerce and Labor, including the Bureau of Corporations, with for the first time authority to secure proper publicity of such proceedings of these great corporations as the public has the right to know. It has provided for the expediting of suits for the enforcement of the Federal antitrust law; and by another law it has secured equal treatment to all producers in the transportation of their goods, thus taking a long stride forward in making effective the work of the Interstate Commerce Commission.

Corporations.

The establishment of the Department of Commerce and Labor, with the Bureau of Corporations thereunder, marks a real advance in the direction of doing all that is possible for the solution of the questions vitally affecting capitalists and wage-workers. The act creating the Department was approved on February 14, 1903, and two days later the head of the Department was nominated and confirmed by the Senate. Since then the work of organization has been pushed as rapidly as the initial appropriations permitted, and with due regard to thoroughness and the broad purposes which the Department is designed to serve. After the transfer of the various bureaus and branches to the Department at the beginning of the

Department of Commerce and Labor.

current fiscal year, as provided for in the act, the personnel comprised 1,289 employees in Washington and 8,836 in the country at large. The scope of the Department's duty and authority embraces the commercial and industrial interests of the Nation. It is not designed to restrict or control the fullest liberty of legitimate business action, but to secure exact and authentic information which will aid the Executive in enforcing existing laws, and which will enable the Congress to enact additional legislation, if any should be found necessary, in order to prevent the few from obtaining privileges at the expense of diminished opportunities for the many.

Bureau of Corporations.

The preliminary work of the Bureau of Corporations in the Department has shown the wisdom of its creation. Publicity in corporate affairs will tend to do away with ignorance, and will afford facts upon which intelligent action may be taken. Systematic, intelligent investigation is already developing facts the knowledge of which is essential to a right understanding of the needs and duties of the business world. The corporation which is honestly and fairly organized, whose managers in the conduct of its business recognize their obligation to deal squarely with their stockholders, their competitors, and the public, has nothing to fear from such supervision. The purpose of this Bureau is not to embarrass or assail legitimate business, but to aid in bringing about a better industrial condition—a condition under which there shall be obedience to law and recognition of public obligation by all corporations, great or small. The Department of Commerce and Labor will be not only the clearing house for information regarding the business transactions of the Nation but the executive arm of the Government to aid in strengthening our domestic and foreign markets, in perfecting our transportation facilities, in building up our merchant marine, in preventing the entrance of undesirable immigrants, in improving commercial and industrial conditions, and in bringing together on common ground those necessary partners in industrial progress—capital and labor. Commerce between the nations is steadily growing in volume, and the tendency of the times is toward closer trade relations. Constant watchfulness is needed to secure to Americans the chance to participate to the best advantage in foreign trade; and we may confidently expect that the new Department will justify the expectation of its creators by the exercise of this watchfulness, as well as by the businesslike administration of such laws relating to our internal affairs as are intrusted to its care.

Functions of new Department.

In enacting the laws above enumerated the Congress proceeded on sane and conservative lines. Nothing revolutionary was attempted; but a common-sense and successful effort was made in the direction of seeing that corporations are so handled as to subserve the public good. The legislation was moderate. It was characterized throughout by the idea that we were not attacking corporations, but endeavoring to provide for doing away with any evil in them; that we drew the line against misconduct, not against wealth; gladly recognizing the great good done by the capitalist who alone, or in conjunction with his fellows, does his work along proper and legitimate lines. The purpose of the legislation, which purpose will undoubtedly be fulfilled, was to favor such a man when he does well, and to supervise his action only to prevent him from doing ill. Publicity can do no harm to the honest corporation. The only corporation that has cause to dread it is the corporation which shrinks from the light, and about the welfare of such corporations we need not be oversensitive. The work of the Department of Commerce and Labor has been conditioned upon this theory, of securing fair treatment alike for labor and for capital.

Capital and labor.

The consistent policy of the National Government, so far as it has the power, is to hold in check the unscrupulous man, whether employer or employee; but to refuse to weaken individual initiative or to hamper or cramp the industrial development of the country. We recognize that this is an era of federation and combination, in which great capitalistic corporations and labor unions have become factors of tremendous importance in all industrial centers. Hearty recognition is given the far-reaching, beneficent work which has been accomplished through both corporations and unions, and the line as between different corporations, as between different unions, is drawn as it is between different individuals; that is, it is drawn on conduct, the effort being to treat both organized capital and organized labor alike; asking nothing save that the interest of each shall be brought into harmony with the interest of the general public, and that the conduct of each shall conform to the fundamental rules of obedience to law, of individual freedom, and of justice and fair dealing towards all. Whenever either corporation, labor union, or individual disregards the law or acts in a spirit of arbitrary and tyrannous interference with the rights of others, whether corporations or individuals, then where the Federal Government has jurisdiction, it will see to it that the misconduct is stopped, paying not the slightest heed to the position or power of the corporation, the union or the

individual, but only to one vital fact—that is, the question whether or not the conduct of the individual or aggregate of individuals is in accordance with the law of the land. Every man must be guaranteed his liberty and his right to do as he likes with his property or his labor, so long as he does not infringe the rights of others. No man is above the law and no man is below it; nor do we ask any man's permission when we require him to obey it. Obedience to the law is demanded as a right; not asked as a favor.

We have cause as a nation to be thankful for the steps that have been so successfully taken to put these principles into effect. The progress has been by evolution, not by revolution. Nothing radical has been done; the action has been both moderate and resolute. Therefore the work will stand. There shall be no backward step. If in the working of the laws it proves desirable that they shall at any point be expanded or amplified, the amendment can be made as its desirability is shown. Meanwhile they are being administered with judgment, but with insistence upon obedience to them; and their need has been emphasized in signal fashion by the events of the past year.

Government receipts and expenditures.

From all sources, exclusive of the postal service, the receipts of the Government for the last fiscal year aggregated $560,396,674. The expenditures for the same period were $506,099,007, the surplus for the fiscal year being $54,297,667. The indications are that the surplus for the present fiscal year will be very small, if indeed there be any surplus. From July to November the receipts from customs were, approximately, nine million dollars less than the receipts from the same source for a corresponding portion of last year. Should this decrease continue at the same ratio throughout the fiscal year, the surplus would be reduced by, approximately, thirty million dollars. Should the revenue from customs suffer much further decrease during the fiscal year, the surplus would vanish. A large surplus is certainly undesirable. Two years ago the war taxes were taken off with the express intention of equalizing the governmental receipts and expenditures, and though the first year thereafter still showed a surplus, it now seems likely that a substantial equality of revenue and expenditure will be attained. Such being the case it is of great moment both to exercise care and economy in appropriations, and to scan sharply any change in our fiscal revenue system which may reduce our income. The need of strict economy in our expenditures is emphasized by the fact that we can not afford to be parsimonious in providing for what is essential to our national well-being. Careful

economy wherever possible will alone prevent our income from falling below the point required in order to meet our genuine needs.

The integrity of our currency is beyond question, and under present conditions it would be unwise and unnecessary to attempt a reconstruction of our entire monetary system. The same liberty should be granted the Secretary of the Treasury to deposit customs receipts as is granted him in the deposit of receipts from other sources. In my Message of December 2, 1902, I called attention to certain needs of the financial situation, and I again ask the consideration of the Congress for these questions.

Needs of financial situation.

During the last session of the Congress, at the suggestion of a joint note from the Republic of Mexico and the Imperial Government of China, and in harmony with an act of the Congress appropriating $25,000 to pay the expenses thereof, a commission was appointed to confer with the principal European countries in the hope that some plan might be devised whereby a fixed rate of exchange could be assured between the gold-standard countries and the silver-standard countries. This commission has filed its preliminary report, which has been made public. I deem it important that the commission be continued, and that a sum of money be appropriated sufficient to pay the expenses of its further labors.

Conference between gold-standard and silver-standard countries.

A majority of our people desire that steps be taken in the interests of American shipping, so that we may once more resume our former position in the ocean carrying trade. But hitherto the differences of opinion as to the proper method of reaching this end have been so wide that it has proved impossible to secure the adoption of any particular scheme. Having in view these facts, I recommend that the Congress direct the Secretary of the Navy, the Postmaster-General, and the Secretary of Commerce and Labor, associated with such a representation from the Senate and House of Representatives as the Congress in its wisdom may designate, to serve as a commission for the purpose of investigating and reporting to the Congress at its next session what legislation is desirable or necessary for the development of the American merchant marine and American commerce, and incidentally of a national ocean mail service of adequate auxiliary naval cruisers and naval reserves. While such a measure is desirable in any event, it is especially desirable at this time, in view of the fact that our present governmental contract for ocean

Merchant marine.

mail with the American Line will expire in 1905. Our ocean mail act was passed in 1891. In 1895 our 20-knot transatlantic mail line was equal to any foreign line. Since then the Germans have put on 23-knot steamers, and the British have contracted for 24-knot steamers. Our service should equal the best. If it does not, the commercial public will abandon it. If we are to stay in the business it ought to be with a full understanding of the advantages to the country on one hand, and on the other with exact knowledge of the cost and proper methods of carrying it on. Moreover, lines of cargo ships are of even more importance than fast mail lines; save so far as the latter can be depended upon to furnish swift auxiliary cruisers in time of war. The establishment of new lines of cargo ships to South America, to Asia, and elsewhere would be much in the interest of our commercial expansion.

Immigration.

We can not have too much immigration of the right kind, and we should have none at all of the wrong kind. The need is to devise some system by which undesirable immigrants shall be kept out entirely, while desirable immigrants are properly distributed throughout the country. At present some districts which need immigrants have none; and in others, where the population is already congested, immigrants come in such numbers as to depress the conditions of life for those already there. During the last two years the immigration service at NewYork has been greatly improved, and the corruption and inefficiency which formerly obtained there have been eradicated. This service has just been investigated by a committee of New York citizens of high standing, Messrs. Arthur v. Briesen, Lee K. Frankel, Eugene A. Philbin, Thomas W. Hynes, and Ralph Trautman. Their report deals with the whole situation at length, and concludes with certain recommendations for administrative and legislative action. It is now receiving the attention of the Secretary of Commerce and Labor.

Investigation of Immigration Service at New York.

Naturalization frauds.

The special investigation of the subject of naturalization under the direction of the Attorney-General, and the consequent prosecutions, reveal a condition of affairs calling for the immediate attention of the Congress. Forgeries and perjuries of shameless and flagrant character have been perpetrated, not only in the dense centers of population, but throughout the country; and it is established beyond doubt that very many so-called citizens of the United States have no title whatever to that right, and are asserting and enjoying the

benefits of the same through the grossest frauds. It is never to be forgotten that citizenship is, to quote the words recently used by the Supreme Court of the United States, an "inestimable heritage," whether it proceeds from birth within the country or is obtained by naturalization; and we poison the sources of our national character and strength at the fountain, if the privilege is claimed and exercised without right, and by means of fraud and corruption. The body politic can not be sound and healthy if many of its constituent members claim their standing through the prostitution of the high right and calling of citizenship. It should mean something to become a citizen of the United States; and in the process no loophole whatever should be left open to fraud.

The methods by which these frauds—now under full investigation with a view to meting out punishment and providing adequate remedies—are perpetrated, include many variations of procedure by which false certificates of citizenship are forged in their entirety; or genuine certificates fraudulently or collusively obtained in blank are filled in by the criminal conspirators; or certificates are obtained on fraudulent statements as to the time of arrival and residence in this country; or imposition and substitution of another party for the real petitioner occur in court; or certificates are made the subject of barter and sale and transferred from the rightful holder to those not entitled to them; or certificates are forged by erasure of the original names and the insertion of the names of other persons not entitled to the same.

It is not necessary for me to refer here at large to the causes leading to this state of affairs. The desire for naturalization is heartily to be commended where it springs from a sincere and permanent intention to become citizens, and a real appreciation of the privilege. But it is a source of untold evil and trouble where it is traceable to selfish and dishonest motives, such as the effort by artificial and improper means, in wholesale fashion to create voters who are ready-made tools of corrupt politicians, or the desire to evade certain labor laws creating discriminations against alien labor. All good citizens, whether naturalized or native born, are equally interested in protecting our citizenship against fraud in any form, and, on the other hand, in affording every facility for naturalization to those who in good faith desire to share alike our privileges and our responsibilities.

The Federal grand jury lately in session in New York City dealt with this subject and made a presentment which states the situation briefly and forcibly and contains important suggestions for the consideration of the Congress. This presentment is included as an appendix to the report of the Attorney-General.

In my last annual Message, in connection with the subject of the due regulation of combinations of capital which are or may become injurious to the public, I recommended a special appropriation for the better enforcement of the antitrust law as it now stands, to be expended under the direction of the Attorney-General. Accordingly (by the legislative, executive, and judicial appropriation act of February 25, 1903, 32 Stat., 854, 904), the Congress appropriated, for the purpose of enforcing the various Federal trust and interstate-commerce laws, the sum of five hundred thousand dollars, to be expended under the direction of the Attorney-General in the employment of special counsel and agents in the Department of Justice to conduct proceedings and prosecutions under said laws in the courts of the United States. I now recommend, as a matter of the utmost importance and urgency, the extension of the purposes of this appropriation, so that it may be available, under the direction of the Attorney-General, and until used, for the due enforcement of the laws of the United States in general and especially of the civil and criminal laws relating to public lands and the laws relating to postal crimes and offenses and the subject of naturalization. Recent investigations have shown a deplorable state of affairs in these three matters of vital concern. By various frauds and by forgeries and perjuries, thousands of acres of the public domain, embracing lands of different character and extending through various sections of the country, have been dishonestly acquired. It is hardly necessary to urge the importance of recovering these dishonest acquisitions, stolen from the people, and of promptly and duly punishing the offenders. I speak in another part of this Message of the widespread crimes by which the sacred right of citizenship is falsely asserted and that "inestimable heritage" perverted to base ends. By similar means—that is, through frauds, forgeries, and perjuries, and by shameless briberies—the laws relating to the proper conduct of the public service in general and to the due administration of the Post-Office Department have been notoriously violated, and many indictments have been found, and the consequent prosecutions are in course of hearing or on the eve thereof. For the reasons thus indicated, and so that the Government may be prepared to enforce promptly and with the greatest effect the due penalties for such violations of law, and to this end may be furnished with sufficient instrumentalities and competent legal

Extension recommended of purposes of appropriation for enforcing trust and interstate-commerce laws.

Public-land frauds.

Postal frauds.

assistance for the investigations and trials which will be necessary at many different points of the country, I urge upon the Congress the necessity of making the said appropriation available for immediate use for all such purposes, to be expended under the direction of the Attorney-General.

Steps have been taken by the State Department looking to the making of bribery an extraditable offense with foreign powers. The need of more effective treaties covering this crime is manifest.

Need for treaties making bribery extraditable.

The exposures and prosecutions of official corruption in St. Louis, Mo., and other cities and States have resulted in a number of givers and takers of bribes becoming fugitives in foreign lands. Bribery has not been included in extradition treaties heretofore, as the necessity for it has not arisen. While there may have been as much official corruption in former years, there has been more developed and brought to light in the immediate past than in the preceding century of our country's history. It should be the policy of the United States to leave no place on earth where a corrupt man fleeing from this country can rest in peace. There is no reason why bribery should not be included in all treaties as extraditable. The recent amended treaty with Mexico, whereby this crime was put in the list of extraditable offenses, has established a salutary precedent in this regard. Under this treaty the State Department has asked, and Mexico has granted, the extradition of one of the St. Louis bribe givers.

There can be no crime more serious than bribery. Other offenses violate one law while corruption strikes at the foundation of all law. Under our form of government all authority is vested in the people and by them delegated to those who represent them in official capacity. There can be no offense heavier than that of him in whom such a sacred trust has been reposed, who sells it for his own gain and enrichment; and no less heavy is the offense of the bribe giver. He is worse than the thief, for the thief robs the individual, while the corrupt official plunders an entire city or State. He is as wicked as the murderer, for the murderer may only take one life against the law, while the corrupt official and the man who corrupts the official alike aim at the assassination of the commonwealth itself. Government of the people, by the people, for the people will perish from the face of the earth if bribery is tolerated. The givers and takers of bribes stand on an evil preeminence of infamy. The exposure and punishment of public corruption is an honor to a nation, not a disgrace. The shame lies in toleration,

not in correction. No city or State, still less the Nation, can be injured by the enforcement of law. As long as public plunderers when detected can find a haven of refuge in any foreign land and avoid punishment, just so long encouragement is given them to continue their practices. If we fail to do all that in us lies to stamp out corruption we can not escape our share of responsibility for the guilt. The first requisite of successful self-government is unflinching enforcement of the law and the cutting out of corruption.

For several years past the rapid development of Alaska and the establishment of growing American interests in regions theretofore unsurveyed and imperfectly known brought into prominence the urgent necessity of a practical demarcation of the boundaries between the jurisdictions of the United States and Great Britain. Although the treaty of 1825 between Great Britain and Russia, the provisions of which were copied in the treaty of 1867, whereby Russia conveyed Alaska to the United States, was positive as to the control, first by Russia and later by the United States, of a strip of territory along the continental mainland from the western shore of Portland Canal to Mount St. Elias, following and surrounding the indentations of the coast and including the islands to the westward, its description of the landward margin of the strip was indefinite, resting on the supposed existence of a continuous ridge or range of mountains skirting the coast, as figured in the charts of the early navigators. It had at no time been possible for either party in interest to lay down, under the authority of the treaty, a line so obviously exact according to its provisions as to command the assent of the other. For nearly three-fourths of a century the absence of tangible local interests demanding the exercise of positive jurisdiction on either side of the border left the question dormant. In 1878 questions of revenue administration on the Stikine River led to the establishment of a provisional demarcation, crossing the channel between two high peaks on either side about twenty-four miles above the river mouth. In 1899 similar questions growing out of the extraordinary development of mining interests in the region about the head of Lynn Canal brought about a temporary *modus vivendi*, by which a convenient separation was made at the watershed divides of the White and Chilkoot passes and to the north of Klukwan, on the Klehini River. These partial and tentative adjustments could not, in the very nature of things, be satisfactory or lasting. A permanent disposition of the matter became imperative.

Alaskan boundary.

After unavailing attempts to reach an understanding through a Joint High Commission, followed by prolonged negotiations, conducted in an amicable spirit, a convention between the United States and Great Britain was signed, January 24, 1903, providing for an examination of the subject by a mixed tribunal of six members, three on a side, with a view to its final disposition. Ratifications were exchanged on March 3 last, whereupon the two Governments appointed their respective members. Those on behalf of the United States were Elihu Root, Secretary of War, Henry Cabot Lodge, a Senator of the United States, and George Turner, an ex-Senator of the United States, while Great Britain named the Right Honourable Lord Alverstone, Lord Chief Justice of England, Sir Louis Amable Jetté, K. C. M. G., retired judge of the Supreme Court of Quebec, and A. B. Aylesworth, K. C., of Toronto. This Tribunal met in London on September 3, under the Presidency of Lord Alverstone. The proceedings were expeditious, and marked by a friendly and conscientious spirit. The respective cases, counter cases, and arguments presented the issues clearly and fully. On the 20th of October a majority of the Tribunal reached and signed an agreement on all the questions submitted by the terms of the Convention. By this award the right of the United States to the control of a continuous strip or border of the mainland shore, skirting all the tide-water inlets and sinuosities of the coast, is confirmed; the entrance to Portland Canal (concerning which legitimate doubt appeared) is defined as passing by Tongass Inlet and to the northwestward of Wales and Pearse islands; a line is drawn from the head of Portland Canal to the fifty-sixth degree of north latitude; and the interior border line of the strip is fixed by lines connecting certain mountain summits lying between Portland Canal and Mount St. Elias, and running along the crest of the divide separating the coast slope from the inland watershed at the only part of the frontier where the drainage ridge approaches the coast within the distance of ten marine leagues stipulated by the treaty as the extreme width of the strip around the heads of Lynn Canal and its branches.

While the line so traced follows the provisional demarcation of 1878 at the crossing of the Stikine River, and that of 1899 at the summits of the White and Chilkoot passes, it runs much farther inland from the Klehini than the temporary line of the later *modus vivendi*, and leaves the entire mining district of the Porcupine River and Glacier Creek within the jurisdiction of the United States.

The result is satisfactory in every way. It is of great material advantage to our people in the Far Northwest. It has removed from the field of discussion and possible danger a question liable to become more acutely accentuated with each passing year. Finally, it has furnished a signal proof of the fairness and good will with which two friendly nations can approach and determine issues involving national sovereignty and by their nature incapable of submission to a third power for adjudication.

The award is self-executing on the vital points. To make it effective as regards the others it only remains for the two Governments to appoint, each on its own behalf, one or more scientific experts, who shall, with all convenient speed, proceed together to lay down the boundary line in accordance with the decision of the majority of the Tribunal. I recommend that the Congress make adequate provision for the appointment, compensation, and expenses of the members to serve on this joint boundary commission on the part of the United States.

Claims against Venezuela.

It will be remembered that during the second session of the last Congress Great Britain, Germany, and Italy formed an alliance for the purpose of blockading the ports of Venezuela and using such other means of pressure as would secure a settlement of claims due, as they alleged, to certain of their subjects. Their employment of force for the collection of these claims was terminated by an agreement brought about through the offices of the diplomatic representatives of the United States at Caracas and the Government at Washington, thereby ending a situation which was bound to cause increasing friction, and which jeoparded the peace of the continent. Under this agreement Venezuela agreed to set apart a certain percentage of the customs receipts of two of her ports to be applied to the payment of whatever obligations might be ascertained by mixed commissions appointed for that purpose to be due from her, not only to the three powers already mentioned, whose proceedings against her had resulted in a state of war, but also to the United States, France, Spain, Belgium, the Netherlands, Sweden and Norway, and Mexico, who had not employed force for the collection of the claims alleged to be due to certain of their citizens.

A demand was then made by the so-called blockading powers that the sums ascertained to be due to their citizens by such mixed commissions should be accorded payment in full before anything was paid upon the claims of any of the so-called peace powers. Venezuela, on the other hand, insisted that all her creditors should be

paid upon a basis of exact equality. During the efforts to adjust this dispute it was suggested by the powers in interest that it should be referred to me for decision, but I was clearly of the opinion that a far wiser course would be to submit the question to the Permanent Court of Arbitration at The Hague. It seemed to me to offer an admirable opportunity to advance the practice of the peaceful settlement of disputes between nations and to secure for the Hague Tribunal a memorable increase of its practical importance. The nations interested in the controversy were so numerous and in many instances so powerful as to make it evident that beneficent results would follow from their appearance at the same time before the bar of that august tribunal of peace.

Claims submitted to the Permanent Court of Arbitration at The Hague.

Our hopes in that regard have been realized. Russia and Austria are represented in the persons of the learned and distinguished jurists who compose the Tribunal, while Great Britain, Germany, France, Spain, Italy, Belgium, the Netherlands, Sweden and Norway, Mexico, the United States, and Venezuela are represented by their respective agents and counsel. Such an imposing concourse of nations presenting their arguments to and invoking the decision of that high court of international justice and international peace can hardly fail to secure a like submission of many future controversies. The nations now appearing there will find it far easier to appear there a second time, while no nation can imagine its just pride will be lessened by following the example now presented. This triumph of the principle of international arbitration is a subject of warm congratulation and offers a happy augury for the peace of the world.

There seems good ground for the belief that there has been a real growth among the civilized nations of a sentiment which will permit a gradual substitution of other methods than the method of war in the settlement of disputes. It is not pretended that as yet we are near a position in which it will be possible wholly to prevent war, or that a just regard for national interest and honor will in all cases permit of the settlement of international disputes by arbitration; but by a mixture of prudence and firmness with wisdom we think it is possible to do away with much of the provocation and excuse for war, and at least in many cases to substitute some other and more rational method for the settlement of disputes. The Hague Court offers so good an example of what can be done in the direction of such settlement that it should be encouraged in every way.

Advancement of cause of international arbitration.

Further steps should be taken. In President McKinley's annual Message of December 5, 1898, he made the following recommendation:

"The experiences of the last year bring forcibly home to us a sense of the burdens and the waste of war. We desire, in common with most civilized nations, to reduce to the lowest possible point the damage sustained in time of war by peaceable trade and commerce. It is true we may suffer in such cases less than other communities, but all nations are damaged more or less by the state of uneasiness and apprehension into which an outbreak of hostilities throws the entire commercial world. It should be our object, therefore, to minimize, so far as practicable, this inevitable loss and disturbance. This purpose can probably best be accomplished by an international agreement to regard all private property at sea as exempt from capture or destruction by the forces of belligerent powers. The United States Government has for many years advocated this humane and beneficent principle, and is now in a position to recommend it to other powers without the imputation of selfish motives. I therefore suggest for your consideration that the Executive be authorized to correspond with the governments of the principal maritime powers with a view of incorporating into the permanent law of civilized nations the principle of the exemption of all private property at sea, not contraband of war, from capture or destruction by belligerent powers."

Exemption of private property at sea from capture by belligerent powers.

I cordially renew this recommendation.

The Supreme Court, speaking on December 11, 1899, through Peckham, J., said:

"It is, we think, historically accurate to say that this Government has always been, in its views, among the most advanced of the governments of the world in favor of mitigating, as to all noncombatants, the hardships and horrors of war. To accomplish that object it has always advocated those rules which would in most cases do away with the right to capture the private property of an enemy on the high seas."

I advocate this as a matter of humanity and morals. It is anachronistic when private property is respected on land that it should not be respected at sea. Moreover, it should be borne in mind that shipping represents, internationally speaking, a much more generalized species of private property than is the case with ordinary property on land—that is, property found at sea is much

less apt than is the case with property found on land really to belong to any one nation. Under the modern system of corporate ownership the flag of a vessel often differs from the flag which would mark the nationality of the real ownership and money control of the vessel; and the cargo may belong to individuals of yet a different nationality. Much American capital is now invested in foreign ships; and among foreign nations it often happens that the capital of one is largely invested in the shipping of another. Furthermore, as a practical matter, it may be mentioned that while commerce destroying may cause serious loss and great annoyance, it can never be more than a subsidiary factor in bringing to terms a resolute foe. This is now well recognized by all of our naval experts. The fighting ship, not the commerce destroyer, is the vessel whose feats add renown to a nation's history, and establish her place among the great powers of the world.

Meeting of Interparliamentary Union for International Arbitration.

Last year the Interparliamentary Union for International Arbitration met at Vienna, six hundred members of the different legislatures of civilized countries attending. It was provided that the next meeting should be in 1904 at St. Louis, subject to our Congress extending an invitation. Like the Hague Tribunal, this Interparliamentary Union is one of the forces tending towards peace among the nations of the earth, and it is entitled to our support. I trust the invitation can be extended.

Relations with Turkey.

Early in July, having received intelligence, which happily turned out to be erroneous, of the assassination of our vice-consul at Beirut, I dispatched a small squadron to that port for such service as might be found necessary on arrival. Although the attempt on the life of our vice-consul had not been successful, yet the outrage was symptomatic of a state of excitement and disorder which demanded immediate attention. The arrival of the vessels had the happiest result. A feeling of security at once took the place of the former alarm and disquiet; our officers were cordially welcomed by the consular body and the leading merchants, and ordinary business resumed its activity. The Government of the Sultan gave a considerate hearing to the representations of our minister; the official who was regarded as responsible for the disturbed condition of affairs was removed. Our relations with the Turkish Government remain friendly; our claims founded on inequitable treatment of some of our schools and missions appear to be in process of amicable adjustment.

The signing of a new commercial treaty with China, which took place at Shanghai on the 8th of October, is a cause for satisfaction. This act, the result of long discussion and negotiation, places our commercial relations with the great Oriental Empire on a more satisfactory footing than they have ever heretofore enjoyed. It provides not only for the ordinary rights and privileges of diplomatic and consular officers, but also for an important extension of our commerce by increased facility of access to Chinese ports, and for the relief of trade by the removal of some of the obstacles which have embarrassed it in the past. The Chinese Government engages, on fair and equitable conditions, which will probably be accepted by the principal commercial nations, to abandon the levy of "likin" and other transit dues throughout the Empire, and to introduce other desirable administrative reforms. Larger facilities are to be given to our citizens who desire to carry on mining enterprises in China. We have secured for our missionaries a valuable privilege, the recognition of their right to rent and lease in perpetuity such property as their religious societies may need in all parts of the Empire. And, what was an indispensable condition for the advance and development of our commerce in Manchuria, China, by treaty with us, has opened to foreign commerce the cities of Mukden, the capital of the province of Manchuria, and Antung, an important port on the Yalu River, on the road to Korea. The full measure of development which our commerce may rightfully expect can hardly be looked for until the settlement of the present abnormal state of things in the Empire; but the foundation for such development has at last been laid.

Relations with China.

I call your attention to the reduced cost in maintaining the consular service for the fiscal year ending June 30, 1903, as shown in the annual report of the Auditor for the State and other Departments, as compared with the year previous. For the year under consideration the excess of expenditures over receipts on account of the consular service amounted to $26,125.12, as against $96,972.50 for the year ending June 30, 1902, and $147,040.16 for the year ending June 30, 1901. This is the best showing in this respect for the consular service for the past fourteen years, and the reduction in the cost of the service to the Government has been made in spite of the fact that the expenditures for the year in question were more than $20,000 greater than for the previous year.

Reduction in cost of maintaining Consular Service.

The rural free-delivery service has been steadily extended. The attention of the Congress is asked to the question of the compensation of the letter carriers and clerks engaged in the postal service, especially on the new rural free-delivery routes. More routes have been installed since the first of July last than in any like period in the Department's history. While a due regard to economy must be kept in mind in the establishment of new routes, yet the extension of the rural free-delivery system must be continued, for reasons of sound public policy. No governmental movement of recent years has resulted in greater immediate benefit to the people of the country districts. Rural free delivery, taken in connection with the telephone, the bicycle, and the trolley, accomplishes much toward lessening the isolation of farm life and making it brighter and more attractive. In the immediate past the lack of just such facilities as these has driven many of the more active and restless young men and women from the farms to the cities; for they rebelled at loneliness and lack of mental companionship. It is unhealthy and undesirable for the cities to grow at the expense of the country; and rural free delivery is not only a good thing in itself, but is good because it is one of the causes which check this unwholesome tendency towards the urban concentration of our population at the expense of the country districts. It is for the same reason that we sympathize with and approve of the policy of building good roads. The movement for good roads is one fraught with the greatest benefit to the country districts.

Rural Free-delivery Service.

Good roads.

I trust that the Congress will continue to favor in all proper ways the Louisiana Purchase Exposition. This Exposition commemorates the Louisiana purchase, which was the first great step in the expansion which made us a continental nation. The expedition of Lewis and Clark across the continent followed thereon, and marked the beginning of the process of exploration and colonization which thrust our national boundaries to the Pacific. The acquisition of the Oregon country, including the present States of Oregon and Washington, was a fact of immense importance in our history; first giving us our place on the Pacific seaboard, and making ready the way for our ascendency in the commerce of the greatest of the oceans. The centennial of our establishment upon the western coast by the expedition of Lewis and Clark is to be celebrated at Portland, Oregon, by an

Louisiana Purchase Exposition.

Lewis and Clark Exposition.

exposition in the summer of 1905, and this event should receive recognition and support from the National Government.

Development of Alaska.

I call your special attention to the Territory of Alaska. The country is developing rapidly, and it has an assured future. The mineral wealth is great and has as yet hardly been tapped. The fisheries, if wisely handled and kept under national control, will be a business as permanent as any other, and of the utmost importance to the people. The forests if properly guarded will form another great source of wealth. Portions of Alaska are fitted for farming and stock raising, although the methods must be adapted to the peculiar conditions of the country. Alaska is situated in the far north; but so are Norway and Sweden and Finland; and Alaska can prosper and play its part in the New World just as those nations have prospered and played their parts in the Old World. Proper land laws should be enacted; and the survey of the public lands immediately begun. Coal-land laws should be provided whereby the coal-land entryman may make his location and secure patent under methods kindred to those now prescribed for homestead and mineral entrymen. Salmon hatcheries, exclusively under Government control, should be established. The cable should be extended from Sitka westward. Wagon roads and trails should be built, and the building of railroads promoted in all legitimate ways. Light-houses should be built along the coast. Attention should be paid to the needs of the Alaska Indians; provision should be made for an officer, with deputies, to study their needs, relieve their immediate wants, and help them adapt themselves to the new conditions.

Alaskan salmon fisheries.

The commission appointed to investigate, during the season of 1903, the condition and needs of the Alaskan salmon fisheries, has finished its work in the field, and is preparing a detailed report thereon. A preliminary report reciting the measures immediately required for the protection and preservation of the salmon industry has already been submitted to the Secretary of Commerce and Labor for his attention and for the needed action.

Hawaii.

I recommend that an appropriation be made for building light-houses in Hawaii, and taking possession of those already built. The Territory should be reimbursed for whatever amounts it has already expended for light-houses. The governor should be empowered to suspend or remove any official appointed by him, without submitting the matter to the legislature.

Of our insular possessions the Philippines and Porto Rico it is gratifying to say that their steady progress has been such as to make it unnecessary to spend much time in discussing them. Yet the Congress should ever keep in mind that a peculiar obligation rests upon us to further in every way the welfare of these communities. The Philippines should be knit closer to us by tariff arrangements. It would, of course, be impossible suddenly to raise the people of the islands to the high pitch of industrial prosperity and of governmental efficiency to which they will in the end by degrees attain; and the caution and moderation shown in developing them have been among the main reasons why this development has hitherto gone on so smoothly. Scrupulous care has been taken in the choice of governmental agents, and the entire elimination of partisan politics from the public service. The condition of the islanders is in material things far better than ever before, while their governmental, intellectual, and moral advance has kept pace with their material advance. No one people ever benefited another people more than we have benefited the Filipinos by taking possession of the islands.

The Philippines and Porto Rico.

The cash receipts of the General Land Office for the last fiscal year were $11,024,743.65, an increase of $4,762,816.47 over the preceding year. Of this sum, approximately, $8,461,493 will go to the credit of the fund for the reclamation of arid land, making the total of this fund, up to the 30th of June, 1903, approximately, $16,191,836.

Receipts of General Land Office.

A gratifying disposition has been evinced by those having unlawful inclosures of public land to remove their fences. Nearly two million acres so inclosed have been thrown open on demand. In but comparatively few cases has it been necessary to go into court to accomplish this purpose. This work will be vigorously prosecuted until all unlawful inclosures have been removed.

Removal of fences about unlawful inclosures of public lands.

Experience has shown that in the western States themselves, as well as in the rest of the country, there is widespread conviction that certain of the public-land laws and the resulting administrative practice no longer meet the present needs. The character and uses of the remaining public lands differ widely from those of the public lands which Congress had especially in view when these laws were passed. The rapidly increasing rate of disposal of the public lands is not followed by a corresponding increase

Necessity for revision of public-land laws.

in home building. There is a tendency to mass in large holdings public lands, especially timber and grazing lands, and thereby to retard settlement. I renew and emphasize my recommendation of last year that so far as they are available for agriculture in its broadest sense, and to whatever extent they may be reclaimed under the national irrigation law, the remaining public lands should be held rigidly for the home builder. The attention of the Congress is especially directed to the timber and stone law, the desert-land law, and the commutation clause of the homestead law, which in their operation have in many respects conflicted with wise public-land policy. The discussions in the Congress and elsewhere have made it evident that there is a wide divergence of opinions between those holding opposite views on these subjects; and that the opposing sides have strong and convinced representatives of weight both within and without the Congress; the differences being not only as to matters of opinion but as to matters of fact. In order that definite information may be available for the use of the Congress, I have appointed a commission composed of W. A. Richards, Commissioner of the General Land Office; Gifford Pinchot, Chief of the Bureau of Forestry of the Department of Agriculture, and F. H. Newell, Chief Hydrographer of the Geological Survey, to report at the earliest practicable moment upon the condition, operation, and effect of the present land laws and on the use, condition, disposal, and settlement of the public lands. The commission will report especially what changes in organization, laws, regulations, and practice affecting the public lands are needed to effect the largest practicable disposition of the public lands to actual settlers who will build permanent homes upon them, and to secure in permanence the fullest and most effective use of the resources of the public lands; and it will make such other reports and recommendations as its study of these questions may suggest. The commission is to report immediately upon those points concerning which its judgment is clear; on any point upon which it has doubt it will take the time necessary to make investigation and reach a final judgment.

The work of reclamation of the arid lands of the West is progressing steadily and satisfactorily under the terms of the law setting aside the proceeds from the disposal of public lands. The corps of engineers known as the Reclamation Service, which is conducting the surveys and examinations, has been thoroughly organized, especial pains being taken to secure under the civil-service rules a body of skilled, experienced, and efficient men. Surveys and examinations are progressing throughout the arid States and Territories,

plans for reclaiming works being prepared and passed upon by boards of engineers before approval by the Secretary of the Interior. In Arizona and Nevada, in localities where such work is preeminently needed, construction has already been begun. In other parts of the arid West various projects are well advanced towards the drawing up of contracts, these being delayed in part by necessities of reaching agreements or understanding as regards rights of way or acquisition of real estate. Most of the works contemplated for construction are of national importance, involving interstate questions or the securing of stable, self-supporting communities in the midst of vast tracts of vacant land. The Nation as a whole is of course the gainer by the creation of these homes, adding as they do to the wealth and stability of the country, and furnishing a home market for the products of the East and South. The reclamation law, while perhaps not ideal, appears at present to answer the larger needs for which it is designed. Further legislation is not recommended until the necessities of change are more apparent.

Irrigation.

The study of the opportunities of reclamation of the vast extent of arid land shows that whether this reclamation is done by individuals, corporations, or the State, the sources of water supply must be effectively protected and the reservoirs guarded by the preservation of the forests at the headwaters of the streams. The engineers making the preliminary examinations continually emphasize this need and urge that the remaining public lands at the headwaters of the important streams of the West be reserved to insure permanency of water supply for irrigation. Much progress in forestry has been made during the past year. The necessity for perpetuating our forest resources, whether in public or private hands, is recognized now as never before. The demand for forest reserves has become insistent in the West, because the West must use the water, wood, and summer range which only such reserves can supply. Progressive lumbermen are striving, through forestry, to give their business permanence. Other great business interests are awakening to the need of forest preservation as a business matter. The Government's forest work should receive from the Congress hearty support, and especially support adequate for the protection of the forest reserves against fire. The forest-reserve policy of the Government has passed beyond the experimental stage and has reached a condition where scientific methods are essential to its successful prosecution. The administrative features of forest reserves are at

Preservation of forests.

present unsatisfactory, being divided between three Bureaus of two Departments. It is therefore recommended that all matters pertaining to forest reserves, except those involving or pertaining to land titles, be consolidated in the Bureau of Forestry of the Department of Agriculture.

Cotton weevil.

The cotton-growing States have recently been invaded by a weevil that has done much damage and threatens the entire cotton industry. I suggest to the Congress the prompt enactment of such remedial legislation as its judgment may approve.

Patents to foreigners.

In granting patents to foreigners the proper course for this country to follow is to give the same advantages to foreigners here that the countries in which these foreigners dwell extend in return to our citizens; that is, to extend the benefits of our patent laws on inventions and the like where in return the articles would be patentable in the foreign countries concerned—where an American could get a corresponding patent in such countries.

Indian affairs.

The Indian agents should not be dependent for their appointment or tenure of office upon considerations of partisan politics; the practice of appointing, when possible, ex-army officers or bonded superintendents to the vacancies that occur is working well. Attention is invited to the widespread illiteracy due to lack of public schools in the Indian Territory. Prompt heed should be paid to the need of education for the children in this Territory.

Safety-appliance law.

In my last annual Message the attention of the Congress was called to the necessity of enlarging the safety-appliance law, and it is gratifying to note that this law was amended in important respects. With the increasing railway mileage of the country, the greater number of men employed, and the use of larger and heavier equipment, the urgency for renewed effort to prevent the loss of life and limb upon the railroads of the country, particularly to employees, is apparent. For the inspection of water craft and the Life-Saving Service upon the water the Congress has built up an elaborate body of protective legislation and a thorough method of inspection and is annually spending large sums of money. It is encouraging to observe that the Congress is alive to the interests of those who are employed upon our wonderful arteries of commerce—the railroads—who so safely transport millions of passengers and billions of tons of freight. The Federal inspection of safety appliances, for which the Congress is

now making appropriations, is a service analogous to that which the Government has upheld for generations in regard to vessels, and it is believed will prove of great practical benefit, both to railroad employees and the traveling public. As the greater part of commerce is interstate and exclusively under the control of the Congress the needed safety and uniformity must be secured by national legislation.

No other class of our citizens deserves so well of the Nation as those to whom the Nation owes its very being, the veterans of the civil war. Special attention is asked to the excellent work of the Pension Bureau in expediting and disposing of pension claims. During the fiscal year ending July 1, 1903, the Bureau settled 251,982 claims, an average of 825 claims for each working day of the year. The number of settlements since July 1, 1903, has been in excess of last year's average, approaching 1,000 claims for each working day, and it is believed that the work of the Bureau will be current at the close of the present fiscal year.

Pensions.

During the year ended June 30 last 25,566 persons were appointed through competitive examinations under the civil-service rules. This was 12,672 more than during the preceding year, and 40 per cent of those who passed the examinations. This abnormal growth was largely occasioned by the extension of classification to the rural free-delivery service and the appointment last year of over 9,000 rural carriers. A revision of the civil-service rules took effect on April 15 last, which has greatly improved their operation. The completion of the reform of the civil service is recognized by good citizens everywhere as a matter of the highest public importance, and the success of the merit system largely depends upon the effectiveness of the rules and the machinery provided for their enforcement. A very gratifying spirit of friendly cooperation exists in all the Departments of the Government in the enforcement and uniform observance of both the letter and spirit of the civil-service act. Executive orders of July 3, 1902; March 26, 1903, and July 8, 1903, require that appointments of all unclassified laborers, both in the Departments at Washington and in the field service, shall be made with the assistance of the United States Civil Service Commission, under a system of registration to test the relative fitness of applicants for appointment or employment. This system is competitive, and is open to all citizens of the United States qualified in respect to age, physical ability, moral character, industry, and adaptability for manual labor; except that in case of veterans of the civil war

Extension of civil-service rules.

the element of age is omitted. This system of appointment is distinct from the classified service and does not classify positions of mere laborer under the civil-service act and rules. Regulations in aid thereof have been put in operation in several of the Departments and are being gradually extended in other parts of the service. The results have been very satisfactory, as extravagance has been checked by decreasing the number of unnecessary positions and by increasing the efficiency of the employees remaining.

Reports of Board of Charities for District of Columbia.

The Congress, as the result of a thorough investigation of the charities and reformatory institutions in the District of Columbia, by a joint select committee of the two Houses which made its report in March, 1898, created in the act approved June 6, 1900, a board of charities for the District of Columbia, to consist of five residents of the District, appointed by the President of the United States, by and with the advice and consent of the Senate, each for a term of three years, to serve without compensation. President McKinley appointed five men who had been active and prominent in the public charities of Washington, all of whom upon taking office July 1, 1900, resigned from the different charities with which they had been connected. The members of the board have been reappointed in successive years. The board serves under the Commissioners of the District of Columbia. The board gave its first year to a careful and impartial study of the special problems before it, and has continued that study every year in the light of the best practice in public charities elsewhere. Its recommendations in its annual reports to the Congress through the Commissioners of the District of Columbia "for the economical and efficient administration of the charities and reformatories of the District of Columbia," as required by the act creating it, have been based upon the principles commended by the joint select committee of the Congress in its report of March, 1898, and approved by the best administrators of public charities, and make for the desired systematization and improvement of the affairs under its supervision. They are worthy of favorable consideration by the Congress.

The effect of the laws providing a General Staff for the Army and for the more effective use of the National Guard has been excellent.

The Army.

Great improvement has been made in the efficiency of our Army in recent years. Such schools as those erected at Fort Leavenworth and Fort Riley and the institution of fall maneuver work accomplish satisfactory results. The good effect of these maneuvers upon the

National Guard is marked, and ample appropriation should be made to enable the guardsmen of the several States to share in the benefit. The Government should as soon as possible secure suitable permanent camp sites for military maneuvers in the various sections of the country. The service thereby rendered not only to the Regular Army, but to the National Guard of the several States, will be so great as to repay many times over the relatively small expense. We should not rest satisfied with what has been done, however. The only people who are contented with a system of promotion by mere seniority are those who are contented with the triumph of mediocrity over excellence. On the other hand a system which encouraged the exercise of social or political favoritism in promotions would be even worse. But it would surely be easy to devise a method of promotion from grade to grade in which the opinion of the higher officers of the service upon the candidates should be decisive upon the standing and promotion of the latter. Just such a system now obtains at West Point. The quality of each year's work determines the standing of that year's class, the man being dropped or graduated into the next class in the relative position which his military superiors decide to be warranted by his merit. In other words, ability, energy, fidelity, and all other similiar qualities determine the rank of a man year after year in West Point, and his standing in the Army when he graduates from West Point; but from that time on, all effort to find which man is best or worst, and reward or punish him accordingly, is abandoned; no brilliancy, no amount of hard work, no eagerness in the performance of duty, can advance him, and no slackness or indifference that falls short of a court-martial offense can retard him. Until this system is changed we can not hope that our officers will be of as high grade as we have a right to expect, considering the material upon which we draw. Moreover, when a man renders such service as Captain Pershing rendered last spring in the Moro campaign, it ought to be possible to reward him without at once jumping him to the grade of brigadier-general.

The Navy.

Shortly after the enunciation of that famous principle of American foreign policy now known as the "Monroe Doctrine," President Monroe, in a special Message to Congress on January 30, 1824, spoke as follows: "The Navy is the arm from which our Government will always derive most aid in support of our * * * rights. Every power engaged in war will know the strength of our naval power, the number of our ships of each class, their condition, and the

promptitude with which we may bring them into service, and will pay due consideration to that argument."

I heartily congratulate the Congress upon the steady progress in building up the American Navy. We can not afford a let-up in this great work. To stand still means to go back. There should be no cessation in adding to the effective units of the fighting strength of the fleet. Meanwhile the Navy Department and the officers of the Navy are doing well their part by providing constant service at sea under conditions akin to those of actual warfare. Our officers and enlisted men are learning to handle the battle ships, cruisers, and torpedo boats with high efficiency in fleet and squadron formations, and the standard of marksmanship is being steadily raised. The best work ashore is indispensable, but the highest duty of a naval officer is to exercise command at sea.

The establishment of a naval base in the Philippines ought not to be longer postponed. Such a base is desirable in time of peace; in time of war it would be indispensable, and its lack would be ruinous. Without it our fleet would be helpless. Our naval experts are agreed that Subig Bay is the proper place for the purpose. The national interests require that the work of fortification and development of a naval station at Subig Bay be begun at an early date; for under the best conditions it is a work which will consume much time.

It is eminently desirable, however, that there should be provided a naval general staff on lines similar to those of the General Staff lately created for the Army. Within the Navy Department itself the needs of the service have brought about a system under which the duties of a general staff are partially performed; for the Bureau of Navigation has under its direction the War College, the Office of Naval Intelligence, and the Board of Inspection, and has been in close touch with the General Board of the Navy. But though under the excellent officers at their head, these boards and bureaus do good work, they have not the authority of a general staff, and have not sufficient scope to insure a proper readiness for emergencies. We need the establishment by law of a body of trained officers, who shall exercise a systematic control of the military affairs of the Navy, and be authorized advisers of the Secretary concerning it.

Isthmian Canal.

By the act of June 28, 1902, the Congress authorized the President to enter into treaty with Colombia for the building of the canal across the Isthmus of Panama; it being provided that in the event of failure to secure such treaty after the lapse of a reasonable time, recourse should be had to building a canal through Nicaragua. It has not

been necessary to consider this alternative, as I am enabled to lay before the Senate a treaty providing for the building of the canal across the Isthmus of Panama. This was the route which commended itself to the deliberate judgment of the Congress, and we can now acquire by treaty the right to construct the canal over this route. The question now, therefore, is not by which route the isthmian canal shall be built, for that question has been definitely and irrevocably decided. The question is simply whether or not we shall have an isthmian canal.

When the Congress directed that we should take the Panama route under treaty with Colombia, the essence of the condition, of course, referred not to the Government which controlled that route, but to the route itself; to the territory across which the route lay, not to the name which for the moment the territory bore on the map. The purpose of the law was to authorize the President to make a treaty with the power in actual control of the Isthmus of Panama. This purpose has been fulfilled.

In the year 1846 this Government entered into a treaty with New Granada, the predecessor upon the Isthmus of the Republic of Colombia and of the present Republic of Panama, by which treaty it was provided that the Government and citizens of the United States should always have free and open right of way or transit across the Isthmus of Panama by any modes of communication that might be constructed, while in return our Government guaranteed the perfect neutrality of the above-mentioned Isthmus with the view that the free transit from the one to the other sea might not be interrupted or embarrassed. The treaty vested in the United States a substantial property right carved out of the rights of sovereignty and property which New Granada then had and possessed over the said territory. The name of New Granada has passed away and its territory has been divided. Its successor, the Government of Colombia, has ceased to own any property in the Isthmus. A new Republic, that of Panama, which was at one time a sovereign state, and at another time a mere department of the successive confederations known as New Granada and Colombia, has now succeeded to the rights which first one and then the other formerly exercised over the Isthmus. But as long as the Isthmus endures, the mere geographical fact of its existence, and the peculiar interest therein which is required by our position, perpetuate the solemn contract which binds the holders of the territory to respect our right to freedom of transit across it, and binds us

Review of relations of United States Government to matter of transit across Isthmus of Panama.

in return to safeguard for the Isthmus and the world the exercise of that inestimable privilege. The true interpretation of the obligations upon which the United States entered in this treaty of 1846 has been given repeatedly in the utterances of Presidents and Secretaries of State. Secretary Cass in 1858 officially stated the position of this Government as follows:

"The progress of events has rendered the interoceanic route across the narrow portion of Central America vastly important to the commercial world, and especially to the United States, whose possessions extend along the Atlantic and Pacific coasts, and demand the speediest and easiest modes of communication. While the rights of sovereignty of the states occupying this region should always be respected, we shall expect that these rights be exercised in a spirit befitting the occasion and the wants and circumstances that have arisen. Sovereignty has its duties as well as its rights, and none of these local governments, even if administered with more regard to the just demands of other nations than they have been, would be permitted, in a spirit of Eastern isolation, to close the gates of intercourse on the great highways of the world, and justify the act by the pretension that these avenues of trade and travel belong to them and that they choose to shut them, or, what is almost equivalent, to encumber them with such unjust relations as would prevent their general use."

Seven years later, in 1865, Mr. Seward in different communications took the following position:

"The United States have taken and will take no interest in any question of internal revolution in the State of Panama, or any State of the United States of Colombia, but will maintain a perfect neutrality in connection with such domestic altercations. The United States will, nevertheless, hold themselves ready to protect the transit trade across the Isthmus against invasion of either domestic or foreign disturbers of the peace of the State of Panama. * * * Neither the text nor the spirit of the stipulation in that article by which the United States engages to preserve the neutrality of the Isthmus of Panama, imposes an obligation on this Government to comply with the requisition [of the President of the United States of Colombia for a force to protect the Isthmus of Panama from a body of insurgents of that country]. The purpose of the stipulation was to guarantee the Isthmus against seizure or invasion by a foreign power only."

Attorney-General Speed, under date of November 7, 1865, advised Secretary Seward as follows:

"From this treaty it can not be supposed that New Granada invited

the United States to become a party to the intestine troubles of that Government, nor did the United States become bound to take sides in the domestic broils of New Granada. The United States did guarantee New Granada in the sovereignty and property over the territory. This was as against other and foreign governments."

For four hundred years, ever since shortly after the discovery of this hemisphere, the canal across the Isthmus has been planned. For two score years it has been worked at. When made it is to last for the ages. It is to alter the geography of a continent and the trade routes of the world. We have shown by every treaty we have negotiated or attempted to negotiate with the peoples in control of the Isthmus and with foreign nations in reference thereto our consistent good faith in observing our obligations; on the one hand to the peoples of the Isthmus, and on the other hand to the civilized world whose commercial rights we are safeguarding and guaranteeing by our action. We have done our duty to others in letter and in spirit, and we have shown the utmost forbearance in exacting our own rights.

Last spring, under the act above referred to, a treaty concluded between the representatives of the Republic of Colombia and of our Government was ratified by the Senate. This treaty was entered into at the urgent solicitation of the people of Colombia and after a body of experts appointed by our Government especially to go into the matter of the routes across the Isthmus had pronounced unanimously in favor of the Panama route. In drawing up this treaty every concession was made to the people and to the Government of Colombia. We were more than just in dealing with them. Our generosity was such as to make it a serious question whether we had not gone too far in their interest at the expense of our own; for in our scrupulous desire to pay all possible heed, not merely to the real but even to the fancied rights of our weaker neighbor, who already owed so much to our protection and forbearance, we yielded in all possible ways to her desires in drawing up the treaty. Nevertheless the Government of Colombia not merely repudiated the treaty, but repudiated it in such manner as to make it evident by the time the Colombian Congress adjourned that not the scantiest hope remained of ever getting a satisfactory treaty from them. The Government of Colombia made the treaty, and yet when the Colombian Congress was called to ratify it the vote against ratification was unanimous. It does not appear that the Government made any real effort to secure ratification.

Repudiation of treaty by Colombia.

Immediately after the adjournment of the Congress a revolution broke out in Panama. The people of Panama had long been discontented with the Republic of Colombia, and they had been kept quiet only by the prospect of the conclusion of the treaty, which was to them a matter of vital concern. When it became evident that the treaty was hopelessly lost, the people of Panama rose literally as one man. Not a shot was fired by a single man on the Isthmus in the interest of the Colombian Government. Not a life was lost in the accomplishment of the revolution. The Colombian troops stationed on the Isthmus, who had long been unpaid, made common cause with the people of Panama, and with astonishing unanimity the new Republic was started. The duty of the United States in the premises was clear. In strict accordance with the principles laid down by Secretaries Cass and Seward in the official documents above quoted, the United States gave notice that it would permit the landing of no expeditionary force, the arrival of which would mean chaos and destruction along the line of the railroad and of the proposed canal, and an interruption of transit as an inevitable consequence. The de facto Government of Panama was recognized in the following telegram to Mr. Ehrman:

Revolution in Panama.

Course of United States.

"The people of Panama have, by apparently unanimous movement, dissolved their political connection with the Republic of Colombia and resumed their independence. When you are satisfied that a de facto government, republican in form and without substantial opposition from its own people, has been established in the State of Panama, you will enter into relations with it as the responsible government of the territory and look to it for all due action to protect the persons and property of citizens of the United States and to keep open the isthmian transit, in accordance with the obligations of existing treaties governing the relations of the United States to that territory."

The Government of Colombia was notified of our action by the following telegram to Mr. Beaupré:

"The people of Panama having, by an apparently unanimous movement, dissolved their political connection with the Republic of Colombia and resumed their independence, and having adopted a Government of their own, republican in form, with which the Government of the United States of America has entered into relations, the President of the United States, in accordance with the ties of friendship which have so long and so happily existed between the

respective nations, most earnestly commends to the Governments of Colombia and of Panama the peaceful and equitable settlement of all questions at issue between them. He holds that he is bound not merely by treaty obligations, but by the interests of civilization, to see that the peaceful traffic of the world across the Isthmus of Panama shall not longer be disturbed by a constant succession of unnecessary and wasteful civil wars."

When these events happened, fifty-seven years had elapsed since the United States had entered into its treaty with New Granada. During that time the Governments of New Granada and of its successor, Colombia, have been in a constant state of flux. The following is a partial list of the disturbances on the Isthmus of Panama during the period in question as reported to us by our consuls. It is not possible to give a complete list, and some of the reports that speak of "revolutions" must mean unsuccessful revolutions.

Disturbances on Isthmus since 1846.

May 22, 1850.—Outbreak; two Americans killed. War vessel demanded to quell outbreak.

October, 1850.—Revolutionary plot to bring about independence of the Isthmus.

July 22, 1851.—Revolution in four southern provinces.

November 14, 1851.—Outbreak at Chagres. Man-of-war requested for Chagres.

June 27, 1853.—Insurrection at Bogota, and consequent disturbance on Isthmus. War vessel demanded.

May 23, 1854.—Political disturbances; war vessel requested.

June 28, 1854.—Attempted revolution.

October 24, 1854.—Independence of Isthmus demanded by provincial legislature.

April, 1856.—Riot, and massacre of Americans.

May 4, 1856.—Riot.

May 18, 1856.—Riot.

June 3, 1856.—Riot.

October 2, 1856.—Conflict between two native parties. United States forces landed.

December 18, 1858.—Attempted secession of Panama.

April, 1859.—Riots.

September, 1860.—Outbreak.

October 4, 1860.—Landing of United States forces in consequence.

May 23, 1861.—Intervention of the United States forces required by intendente.

October 2, 1861.—Insurrection and civil war.

April 4, 1862.—Measures to prevent rebels crossing Isthmus.

June 13, 1862.—Mosquera's troops refused admittance to Panama.

March, 1865.—Revolution, and United States troops landed.

August, 1865.—Riots; unsuccessful attempt to invade Panama.

March, 1866.—Unsuccessful revolution.
April, 1867.—Attempt to overthrow Government.
August, 1867.—Attempt at revolution.
July 5, 1868.—Revolution; provisional government inaugurated.
August 29, 1868.—Revolution; provisional government overthrown.
April, 1871.—Revolution; followed apparently by counter revolution.
April, 1873.—Revolution and civil war which lasted to October, 1875.
August, 1876.—Civil war which lasted until April, 1877.
July, 1878.—Rebellion.
December, 1878.—Revolt.
April, 1879.—Revolution.
June, 1879.—Revolution.
March, 1883.—Riot.
May, 1883.—Riot.
June, 1884.—Revolutionary attempt.
December, 1884.—Revolutionary attempt.
January, 1885.—Revolutionary disturbances.
March, 1885.—Revolution.
April, 1887.—Disturbance on Panama Railroad.
November, 1887.—Disturbance on line of canal.
January, 1889.—Riot.
January, 1895.—Revolution which lasted until April.
March, 1895.—Incendiary attempt.
October, 1899.—Revolution.
February, 1900, to July, 1900.—Revolution.
January, 1901.—Revolution.
July, 1901.—Revolutionary disturbances.
September, 1901.—City of Colon taken by rebels.
March, 1902.—Revolutionary disturbances.
July, 1902.—Revolution.

The above is only a partial list of the revolutions, rebellions, insurrections, riots, and other outbreaks that have occurred during the period in question; yet they number 53 for the 57 years. It will be noted that one of them lasted for nearly three years before it was quelled; another for nearly a year. In short, the experience of over half a century has shown Colombia to be utterly incapable of keeping order on the Isthmus. Only the active interference of the United States has enabled her to preserve so much as a semblance of sovereignty. Had it not been for the exercise by the United States of the police power in her interest, her connection with the Isthmus would have been sundered long ago. In 1856, in 1860, in 1873, in 1885, in 1901, and again in 1902, sailors and marines from United States war ships were forced to land in order to patrol the Isthmus, to protect life and property, and to see that the transit across the

Isthmus was kept open. In 1861, in 1862, in 1885, and in 1900, the Colombian Government asked that the United States Government would land troops to protect its interests and maintain order on the Isthmus. Perhaps the most extraordinary request is that which has just been received and which runs as follows:

"Knowing that revolution has already commenced in Panama [an eminent Colombian] says that if the Government of the United States will land troops to preserve Colombian sovereignty, and the transit, if requested by Colombian chargé d'affaires, this Government will declare martial law; and, by virtue of vested constitutional authority, when public order is disturbed, will approve by decree the ratification of the canal treaty as signed; or, if the Government of the United States prefers, will call extra session of the Congress—with new and friendly members—next May to approve the treaty. [An eminent Colombian] has the perfect confidence of vice-president, he says, and if it became necessary will go to the Isthmus or send representative there to adjust matters along above lines to the satisfaction of the people there."

Latest proposition of Colombian Government.

This dispatch is noteworthy from two standpoints. Its offer of immediately guaranteeing the treaty to us is in sharp contrast with the positive and contemptuous refusal of the Congress which has just closed its sessions to consider favorably such a treaty; it shows that the Government which made the treaty really had absolute control over the situation, but did not choose to exercise this control. The dispatch further calls on us to restore order and secure Colombian supremacy in the Isthmus from which the Colombian Government has just by its action decided to bar us by preventing the construction of the canal.

The control, in the interest of the commerce and traffic of the whole civilized world, of the means of undisturbed transit across the Isthmus of Panama has become of transcendent importance to the United States. We have repeatedly exercised this control by intervening in the course of domestic dissension, and by protecting the territory from foreign invasion. In 1853 Mr. Everett assured the Peruvian minister that we should not hesitate to maintain the neutrality of the Isthmus in the case of war between Peru and Colombia. In 1864 Colombia, which has always been vigilant to avail itself of its privileges conferred by the treaty, expressed its expectation that in the event of war between Peru and Spain the United States would carry into

Importance to United States of control of means of undisturbed transit across Isthmus.

effect the guaranty of neutrality. There have been few administrations of the State Department in which this treaty has not, either by the one side or the other, been used as a basis of more or less important demands. It was said by Mr. Fish in 1871 that the Department of State had reason to believe that an attack upon Colombian sovereignty on the Isthmus had, on several occasions, been averted by warning from this Government. In 1886, when Colombia was under the menace of hostilities from Italy in the Cerruti case, Mr. Bayard expressed the serious concern that the United States could not but feel, that a European power should resort to force against a sister republic of this hemisphere, as to the sovereign and uninterrupted use of a part of whose territory we are guarantors under the solemn faith of a treaty.

The above recital of facts establishes beyond question: First, that the United States has for over half a century patiently and in good faith carried out its obligations under the treaty of 1846; second, that when for the first time it became possible for Colombia to do anything in requital of the services thus repeatedly rendered to it for fifty-seven years by the United States, the Colombian Government peremptorily and offensively refused thus to do its part, even though to do so would have been to its advantage and immeasurably to the advantage of the State of Panama, at that time under its jurisdiction; third, that throughout this period revolutions, riots, and factional disturbances of every kind have occurred one after the other in almost uninterrupted succession, some of them lasting for months and even for years, while the central government was unable to put them down or to make peace with the rebels; fourth, that these disturbances instead of showing any sign of abating have tended to grow more numerous and more serious in the immediate past; fifth, that the control of Colombia over the Isthmus of Panama could not be maintained without the armed intervention and assistance of the United States. In other words, the Government of Colombia, though wholly unable to maintain order on the Isthmus, has nevertheless declined to ratify a treaty the conclusion of which opened the only chance to secure its own stability and to guarantee permanent peace on, and the construction of a canal across, the Isthmus.

Under such circumstances the Government of the United States would have been guilty of folly and weakness, amounting in their sum to a crime against the Nation, had it acted otherwise than it did when the revolution of November 3 last took place in Panama. This great enterprise of building the interoceanic canal can not be held up to gratify the whims, or out of respect to the governmental

impotence, or to the even more sinister and evil political peculiarities, of people who, though they dwell afar off, yet, against the wish of the actual dwellers on the Isthmus, assert an unreal supremacy over the territory. The possession of a territory fraught with such peculiar capacities as the Isthmus in question carries with it obligations to mankind. The course of events has shown that this canal can not be built by private enterprise, or by any other nation than our own; therefore it must be built by the United States.

Every effort has been made by the Government of the United States to persuade Colombia to follow a course which was essentially not only to our interests and to the interests of the world, but to the interests of Colombia itself. These efforts have failed; and Colombia, by her persistence in repulsing the advances that have been made, has forced us, for the sake of our own honor, and of the interest and well-being, not merely of our own people, but of the people of the Isthmus of Panama and the people of the civilized countries of the world, to take decisive steps to bring to an end a condition of affairs which had become intolerable. The new Republic of Panama immediately offered to negotiate a treaty with us. This treaty I herewith submit. By it our interests are better safeguarded than in the treaty with Colombia which was ratified by the Senate at its last session. It is better in its terms than the treaties offered to us by the Republics of Nicaragua and Costa Rica. At last the right to begin this great undertaking is made available. Panama has done her part. All that remains is for the American Congress to do its part and forthwith this Republic will enter upon the execution of a project colossal in its size and of well-nigh incalculable possibilities for the good of this country and the nations of mankind.

Submission of treaty with new Republic of Panama.

By the provisions of the treaty the United States guarantees and will maintain the independence of the Republic of Panama. There is granted to the United States in perpetuity the use, occupation, and control of a strip ten miles wide and extending three nautical miles into the sea at either terminal, with all lands lying outside of the zone necessary for the construction of the canal or for its auxiliary works, and with the islands in the Bay of Panama. The cities of Panama and Colon are not embraced in the canal zone, but the United States assumes their sanitation and, in case of need, the maintenance of order therein; the United States enjoys within the granted limits all the rights, power, and authority which it would

Provisions of treaty.

possess were it the sovereign of the territory to the exclusion of the exercise of sovereign rights by the Republic. All railway and canal property rights belonging to Panama and needed for the canal pass to the United States, including any property of the respective companies in the cities of Panama and Colon; the works, property, and personnel of the canal and railways are exempted from taxation as well in the cities of Panama and Colon as in the canal zone and its dependencies. Free immigration of the personnel and importation of supplies for the construction and operation of the canal are granted. Provision is made for the use of military force and the building of fortifications by the United States for the protection of the transit. In other details, particularly as to the acquisition of the interests of the New Panama Canal Company and the Panama Railway by the United States and the condemnation of private property for the uses of the canal, the stipulations of the Hay-Herran treaty are closely followed, while the compensation to be given for these enlarged grants remains the same, being ten millions of dollars payable on exchange of ratifications; and, beginning nine years from that date, an annual payment of $250,000 during the life of the convention.

THEODORE ROOSEVELT.

WHITE HOUSE,
December 7, 1903.

ANNUAL REPORT ON THE FINANCES.

TREASURY DEPARTMENT,
Washington, D. C., December 8, 1903.

SIR: I have the honor to submit the following report:

RECEIPTS AND EXPENDITURES.

Fiscal year 1903.

The revenues of the Government from all sources (by warrants) for the fiscal year ended June 30, 1903, were:

From customs	$284,479,581.81
From internal revenue	230,810,124.17
From sales of public lands	8,926,311.22
From profits on coinage, bullion deposits, etc	8,254,739.88
From revenues of the District of Columbia	5,168,038.56
From fees—consular, letters patent, and lands	4,048,833.22
From sales of Indian lands, proceeds of Indian labor, etc	2,393,268.83
From navy pension, navy hospital, clothing, and deposit funds	2,300,501.17
From tax on circulation of national banks	1,647,429.28
From immigrant fund	1,356,158.33
From trust funds, Department of State	1,203,092.07
From payment of interest by Pacific railways	997,197.79
From customs fees, fines, penalties, etc	878,254.78
From miscellaneous	748,059.83
From Soldiers' Home permanent fund	743,139.39
From sales of Government property	434,296.21
From judicial fees, fines, penalties, etc	368,757.46
From deposits for surveying public lands	305,701.88
From sale of lands, buildings, etc	289,730.82
From tax on sealskins	286,133.40
From depredations on public lands	231,144.26
From sale of naval vessels and army transports	174,517.10
From sales of ordnance material	173,188.16
From license fees, Territory of Alaska	83,625.22
From Spanish indemnity	28,500.00
From part payment Central Pacific Railroad indebtedness	4,066,349.56
	560,396,674.40
From postal revenues	134,224,443.24
Total receipts	694,621,117.64

The expenditures for the same period were:

For the civil establishment, including foreign intercourse, public buildings, collecting the revenues, District of Columbia, and other miscellaneous expenses	$122,175,370.54
For the military establishment, including rivers and harbors, forts, arsenals, seacoast defenses, and expenses of the war with Spain and in the Philippines	118,619,520.15
For the naval establishment, including construction of new vessels, machinery, armament, equipment, improvement at navy-yards, and expenses of the war with Spain and in the Philippines	82,618,034.18

For Indian Service	$12,935,168.08
For pensions	138,425,646.07
For interest on the public debt	28,556,348.82
For deficiency in postal revenues	2,768,919.20
	506,099,007.04
For Postal Service	134,224,443.24
Total expenditures	640,323,450.28
Showing a surplus of	54,297,667.36

In addition to the revenues collected during the year and the amounts received on the indebtedness of Pacific railroads, the cash in the Treasury was increased $760 by the issue of 4 per cent bonds in liquidation of interest accrued on refunding certificates converted during the year.

The securities redeemed on account of the sinking fund were as follows:

Fractional currency		$2,083.00
Treasury notes of 1861		50.00
One-year notes of 1863		250.00
Two-year notes of 1863		50.00
Compound-interest notes		520.00
Refunding certificates		90.00
Funded loan of 1881, continued at 3½ per cent		500.00
Funded loan of 1891, called		6,400.00
Funded loan of 1891, continued at 2 per cent		63,500.00
Bonds purchased—		
Loan of 1904	$25,300.00	
Loan of 1925	16,504,300.00	
		16,529,600.00
Premium on bonds purchased—		
Loan of 1904	1,022.51	
Loan of 1925	6,201,025.41	
		6,202,047.92
Premium on bonds exchanged—		
Funded loan of 1907	4,170,932.47	
Loan of 1908–1918	534,139.43	
		4,705,071.90
National-bank notes redeemed in excess of deposits		2,001,161.00
Total		29,511,323.82

Compared with the fiscal year 1902, the receipts for 1903 increased $10,294,837.17, as follows:

INCREASE IN RECEIPTS FOR 1903.

Source.	1902.	1903.	Increase.	Decrease.
Customs	$254,444,708.19	$284,479,581.81	$30,034,873.62	
Internal revenue	271,880,122.10	230,810,124.17		$41,069,997.93
Profits on coinage, bullion deposits, etc.	10,979,506.57	8,254,739.88		2,724,766.69
Tax on sealskins, and rent of fox islands	231,821.20	286,233.40	54,412.20	
Sales of Indian lands	1,775,832.63	2,393,248.83	617,436.20	
Sales of Government property	829,314.15	434,296.21		395,017.94
Sales of public lands	4,144,122.78	8,926,311.22	4,782,188.44	
District of Columbia	4,217,841.43	5,168,038.56	950,197.13	
Navy pension, navy hospital, clothing, and deposit funds	2,019,850.25	2,300,501.17	280,650.92	
Fees—consular, letters patent, and land	4,085,229.87	4,048,833.22		36,396.65
Depredations on public lands	107,995.58	231,144.26	123,148.68	
Customs fees, fines, penalties, etc.	828,971.35	878,254.78	49,283.43	
Judicial fees, fines, penalties, etc.	334,233.95	368,757.46	34,523.51	
Immigrant fund	747,217.15	1,356,158.33	608,941.18	
Deposits for surveying public lands	316,579.23	305,701.88		10,877.35
Tax on national banks	1,643,454.73	1,647,429.28	3,974.55	
Part payment Central Pacific Railroad indebtedness		4,066,349.56	4,066,349.56	
Payment of interest by Pacific railways	1,564,554.71	997,197.79		567,356.92
Sales of lands and buildings	272,422.72	289,730.82	17,308.10	
Sales of ordnance material	330,438.53	173,188.16		157,250.37
Sales of old vessels	313,948.98	174,517.10		139,431.88
Soldiers' Home permanent fund	536,045.62	743,139.39	207,093.77	
Prize money	20,000.00	38,551.04	18,551.04	
Trust funds, Department of State	222,061.94	1,203,092.07	981,030.13	
Spanish indemnity		28,500.00	28,500.00	
Miscellaneous	631,959.55	793,034.01	161,074.46	
Total ordinary receipts, exclusive of postal revenues	562,478,233.21	560,396,674.40	43,019,536.92	45,101,095.73
Postal revenues	121,848,047.26	134,224,443.24	12,376,395.98	
Aggregate receipts	684,326,280.47	694,621,117.64	55,395,932.90	45,101,095.73
Net increase			10,294,837.17	

There was an increase of $47,284,545.38 in expenditures, as follows:

INCREASE IN EXPENDITURES FOR 1903.

Object.	1902.	1903.	Increase.	Decrease.
CIVIL ESTABLISHMENT.				
Legislative—				
Salaries and expenses	$11,330,201.87	$12,190,749.17	$860,547.30	
Executive proper—				
Salaries and expenses	213,585.22	357,637.23	144,052.01	
Department of State—				
Salaries and expenses	186,467.44	178,098.28		$8,369.16
Foreign intercourse	2,765,734.01	3,204,522.01	438,788.00	
Treasury Department—				
Salaries and expenses	3,533,329.24	3,846,800.94	313,471.70	
Independent Treasury	683,544.89	704,203.54	20,658.65	
Mints and assay offices	1,535,666.06	1,456,220.57		79,445.49
Territorial governments	165,734.85	261,591.08	95,856.23	
Salaries, etc., internal revenue	4,248,497.33	4,346,139.89	97,642.56	
Miscellaneous, internal revenue	1,359,659.97	2,370,682.57	1,011,022.60	
Rebate of tax on tobacco	2,928,191.28	3,886,991.14	958,799.86	
Collecting customs revenue	7,967,473.86	8,468,710.19	501,236.33	
Refunding excess of deposits, customs	5,414,259.82	4,248,535.81		1,165,724.01
Debentures or drawbacks, customs	5,236,157.44	5,348,308.96	112,151.52	
Miscellaneous items, customs	242,752.01	260,509.15	17,757.14	
Revenue-Cutter Service	1,203,637.12	1,441,614.26	237,977.14	
Regulating immigration	399,692.38	655,428.42	255,736.04	
Chinese-exclusion acts	202,744.03	262,274.07	59,530.04	

INCREASE IN EXPENDITURES FOR 1903—Continued

Object.	1902.	1903.	Increase.	Decrease.
Treasury Department—*Continued.*				
New revenue vessels	$112,514.96	$205,057.17	$92,542.21	
Alien contract-labor laws	150,032.16	106,718.89		$43,313.27
Public Health and Marine-Hospital Service	1,234,264.51	1,356,455.87	122,191.36	
Life-Saving Service	1,667,688.48	1,746,841.19	79,152.71	
Light-House Establishment	4,181,403.39	4,537,315.67	355,912.28	
Coast and Geodetic Survey	838,832.07	865,215.78	26,383.71	
Steamboat-Inspection Service	344,490.06	436,871.50	92,381.44	
Engraving and printing	2,653,522.43	2,782,348.50	128,826.07	
Public buildings	5,118,157.35	7,679,721.24	2,561,563.89	
Fuel, etc., public buildings	881,279.99	907,984.32	26,704.33	
Custodians and janitors	1,080,029.26	1,085,044.49	5,015.23	
Furniture for public buildings	257,389.74	270,856.35	13,466.61	
Fish hatcheries	51,435.72	55,953.28	4,517.56	
Salaries and expenses, Fish Commission	489,255.45	524,798.31	35,542.86	
National Museum	271,828.94	255,037.93		16,791.01
Zoological Park	83,393.19	101,850.00	18,456.81	
Smithsonian Institution	140,009.18	147,717.85	7,708.67	
Interstate Commerce Commission	270,059.55	302,972.35	32,912.80	
French spoliation claims	193,257.73	557,342.13	364,084.40	
Claims under Bowman and Tucker acts	407,855.31	172,285.00		235,570.31
Epidemic diseases	141,814.53	176,553.53	34,739.00	
Refunding customs revenue collected from Porto Rico	399,988.10	375,402.45		24,585.65
Payment of debt of Hawaii	751,202.44	187,300.04		563,902.40
Buffalo Exposition, New York	83,756.90	500,347.96	416,591.06	
Louisiana Purchase Exposition, St. Louis	45,275.59	424,967.06	379,691.47	
South Carolina Exposition		173,975.14	173,975.14	
Suppressing bubonic plague, Hawaii		1,000,000.00	1,000,000.00	
Miscellaneous items	859,839.95	905,592.61	45,752.66	
War Department—				
Salaries and expenses	2,385,030.04	3,062,025.73	676,995.69	
Navy Department—				
Salaries and expenses	498,897.02	498,762.44		134.58
Interior Department—				
Salaries and expenses	4,742,480.28	4,933,929.83	191,449.55	
Public Lands Service	3,212,636.28	3,619,628.49	406,992.21	
Reclamation fund		268,517.23	268,517.23	
Colleges for agriculture	1,200,000.00	1,200,000.00		
Twelfth census	2,915,194.81	1,345,329.45		1,569,865.36
Reconstructing rooms of old Library of Congress	205,365.43	38,004.26		167,361.17
Miscellaneous items	1,052,652.36	1,603,644.76	610,992.40	
Post-Office Department—				
Salaries and expenses	1,053,649.79	1,439,498.87	385,849.08	
Deficiency in postal revenues	2,402,152.52	2,768,919.20	366,766.68	
Mail transportation, Pacific railways	592,682.31	701,648.28	108,965.97	
Department of Agriculture—				
Salaries and expenses	3,423,215.92	4,073,235.06	650,019.14	
Weather Bureau	1,156,773.69	1,259,121.70	102,348.01	
Department of Labor—				
Salaries and expenses	176,202.49	182,084.49	5,882.00	
Department of Commerce and Labor—				
Salaries and expenses		34,473.84	34,473.84	
Department of Justice—				
Salaries and expenses	473,903.04	589,144.39	115,241.35	
Salaries of justices, assistant attorneys, etc	1,038,000.85	1,320,695.50	282,694.65	
Salaries, fees, and expenses of marshals	1,151,351.20	1,364,915.99	213,564.79	
Fees of witnesses	829,086.97	820,936.59		8,150.38
Salaries and fees of district attorneys	416,257.34	493,749.69	77,492.35	
Fees of jurors	614,858.37	889,904.10	275,045.73	
Fees of clerks	247,928.05	263,194.46	15,266.41	
Fees of commissioners	130,531.70	131,055.60	523.90	
Support of prisoners	734,008.16	811,610.64	77,602.48	
Pay of bailiffs	146,828.52	153,728.50	6,899.98	
Judgments, United States courts	26,496.64	19,154.16		7,342.48
Miscellaneous items	953,492.33	1,081,795.28	128,302.95	
District of Columbia—				
Salaries and expenses	9,363,742.00	8,584,037.32		779,704.68
Total Civil Establishment	113,139,323.91	124,944,289.74	16,145,225.78	4,670,259.95

INCREASE IN EXPENDITURES FOR 1903—Continued.

Object.	1902.	1903.	Increase.	Decrease.
MILITARY ESTABLISHMENT.				
National defense	.....	$192,801.69	$192,801.69	.....
Emergency fund	$42,362.20	76,187.43	33,825.23	.....
Pay Department	3,6915,284.17	28,615,763.10	.....	$8,299,521.07
Extra pay, war with Spain	82,538.85	157,191.75	74,652.90	.....
Subsistence Department	6,420,827.28	5,419,793.20	.....	1,001,034.08
Quartermaster's Department	31,725,860.32	30,822,802.69	.....	903,057.63
Medical Department	850,602.41	1,320,023.99	769,421.58	.....
Ordnance Department	11,155,777.83	10,637,105.75	.....	518,672.08
Engineer Department	755,091.75	1,082,265.56	327,173.81	.....
Signal Service	245,379.06	343,930.85	98,551.79	.....
Military telegraph and cable lines	106,491.47	384,007.20	277,515.73	.....
Military Academy	257,104.92	490,980.17	233,875.25	.....
Improving harbors	6,331,767.29	7,342,186.23	1,010,418.94	.....
Improving rivers	8,616,213.45	12,247,895.98	3,631,682.53	.....
Bringing home remains of officers, soldiers, and others	109,972.27	90,993.13	.....	18,979.14
Military posts	1,053,242.45	1,824,432.09	771,189.64	.....
National Homes for Disabled Soldiers	3,236,434.40	3,938,294.04	701,859.64	.....
State homes for disabled soldiers	1,004,724.80	1,031,355.43	26,630.63	.....
Support of Soldiers' Home	536,045.62	743,139.39	207,093.77	.....
Soldiers' Home permanent fund	236,000.00	254,000.00	18,000.00	.....
Soldiers' Home interest account	87,661.27	98,638.37	10,977.10	.....
Reimbursing States and Territories, expenses of raising troops, Spanish war	599,431.34	217,852.35	.....	381,578.99
Refunding to States expenses incurred in raising volunteers	1,053,652.42	6,364,609.31	5,310,956.89	.....
Payment to State of Florida	.....	692,946.00	692,946.00	.....
Relief of distress in the Philippines	.....	3,000,000.00	3,000,000.00	.....
Miscellaneous items	849,750.51	1,230,324.45	380,573.94	.....
Total Military Establishment	112,272,216.08	118,619,520.15	17,470,147.06	11,122,842.99
NAVAL ESTABLISHMENT.				
National defense	24,999.72	1,872,734.22	1,847,734.50	.....
Emergency fund	114,019.42	175,132.01	61,112.59	.....
Increase of the Navy	19,793,144.29	26,667,104.25	6,873,959.96	.....
Bureau of Yards and Docks	5,701,780.29	6,404,410.50	702,630.21	.....
Bureau of Equipment	5,144,548.32	5,439,182.18	294,633.86	.....
Bureau of Navigation	580,547.94	862,062.11	281,514.17	.....
Bureau of Construction and Repair	6,968,828.98	7,783,546.78	784,717.80	.....
Bureau of Ordnance	2,549,000.51	3,474,681.63	925,681.12	.....
Bureau of Steam Engineering	3,253,231.78	3,613,724.40	360,492.62	.....
Bureau of Supplies and Accounts	3,967,819.29	5,701,472.94	1,743,653.65	.....
Bureau of Medicine and Surgery	415,870.92	541,577.20	125,706.28	.....
Marine Corps	2,718,621.95	3,246,688.47	528,066.52	.....
Naval Academy	872,698.13	1,320,562.87	447,864.74	.....
Pay of the Navy	13,017,036.61	14,969,881.86	1,952,845.25	.....
General account of advances	1,905,889.92	17,634.10	.....	1,888,255.82
Judgments, bounty for destruction of enemies' vessels	314,853.97	53,669.37	.....	261,184.60
Miscellaneous items	440,236.20	473,969.29	33,733.09	.....
Total Naval Establishment	67,803,128.24	82,618,034.18	16,964,346.36	2,149,440.42
Indian Service	10,049,584.86	12,935,168.08	2,885,583.22	.....
Pensions	138,488,559.73	138,425,646.07	.....	62,913.66
Interest on the public debt	29,108,044.82	28,556,348.82	.....	551,696.00
Total ordinary expenditures, exclusive of Postal Service	471,190,857.64	506,099,007.04	53,465,302.42	18,557,153.02
Postal Service	121,848,047.26	134,224,443.24	12,376,395.98	.....
Aggregate expenditures	593,038,904.90	640,323,450.28	65,841,698.40	18,557,153.02
Net increase	.....	.....	47,284,545.38	.....

Fiscal year 1904.

The revenues of the Government for the current fiscal year are thus estimated upon the basis of existing laws:

From customs	$250,000,000.00
From internal revenue	235,000,000.00
From miscellaneous sources	45,000,000.00
From postal revenues	144,767,664.00
Total estimated revenues	674,767,664.00

The expenditures for the same period are estimated as follows:

For the civil establishment	$131,000,000.00
For the military establishment	115,000,000.00
For the naval establishment	96,000,000.00
For the Indian Service	11,000,000.00
For pensions	139,000,000.00
For interest on the public debt	24,000,000.00
For Postal Service	144,767,664.00
Total estimated expenditures	660,767,664.00
Or a surplus of	14,000,000.00

Fiscal year 1905.

It is estimated that upon the basis of existing laws the revenues of the Government for the fiscal year 1905 will be:

From customs	$260,000,000.00
From internal revenue	240,000,000.00
From miscellaneous sources	45,000,000.00
From postal revenues	159,472,060.72
Total estimated revenues	704,472,060.72

The estimates of appropriations required for the same period, as submitted by the several Executive Departments and offices, are as follows:

Legislative establishment		$5,351,109.50
Executive establishment—		
Executive proper	$320,000.00	
State Department	217,660.00	
Treasury Department	10,027,174.50	
War Department	2,165,576.00	
Navy Department	883,961.48	
Interior Department	5,279,229.00	
Post-Office Department	1,511,050.00	
Department of Agriculture	6,729,880.00	
Department of Commerce and Labor	2,799,660.00	
Department of Justice	254,860.00	
		30,189,050.98
Judicial establishment		901,420.00
Foreign intercourse		2,236,300.69
Military establishment		77,794,813.05
Naval establishment		90,964,750.34
Indian affairs		7,502,252.54
Pensions		138,152,600.00

Public works—		
Legislative	$5,500.00	
Treasury Department	10,545,883.79	
War Department	40,497,542.41	
Navy Department	11,901,699.00	
Interior Department	319,600.00	
Department of Commerce and Labor	3,802,082.48	
Department of Justice	255,000.00	
		$67,327,307.68
Miscellaneous—		
Legislative	6,330,645.82	
Treasury Department	11,562,205.20	
War Department	6,094,002.00	
Interior Department	3,606,705.00	
Department of Justice	6,516,660.00	
Department of Commerce and Labor	6,869,212.99	
District of Columbia	13,017,581.00	
		53,997,012.01
Postal Service, including $8,613,709.28 deficiency in postal revenues		168,085,770.00
Permanent annual appropriations—		
Interest on the public debt	$24,250,000.00	
Refunding—customs, internal revenue, etc.	12,263,000.00	
Collecting revenue from customs	5,500,000.00	
Miscellaneous	42,958,820.00	
		84,971,820.00
Total estimated appropriations, exclusive of sinking fund		727,474,206.79
Or an estimated deficit of		23,002,146.07

OPERATIONS OF THE TREASURY.

The most noticeable features in the condition of the Treasury are the increased available cash balance and the increased holdings of gold. Since 1890, the available cash balance, including the reserve, has more than doubled, rising from $179,259,837.18 to $388,686,114.23. The cash in the general fund increased during the year by $30,103,869.67, and the liabilities increased $3,605,116.60. Thus, the available cash balance at the end of 1903 exceeded that of 1902 by $26,498,753.07.

Increased receipts from customs, sales of lands, and from miscellaneous sources nearly equaled the diminution in receipts from internal revenue. The increase of expenditures for the fiscal year 1903 over those of 1902 resulted in a reduction of the surplus revenue for the year of $36,989,708.21.

For the first quarter of the fiscal year 1904 the receipts were $6,733,297.42 greater than the expenditures.

The trust funds held for the redemption of the notes and certificates for which they are pledged increased to $893,068,869, an increase for the year of $62,459,780.

Transactions in public-debt items, other than those related to the trust funds, caused a net decrease of $18,625,444 in the public debt and reduced the annual interest charge to the extent of $2,001,372.20.

The foreign holdings of United States bonds are principally confined to the registered class, and are diminishing. In 1899 the amount was $24,339,020. At the end of 1903 it was reduced to $16,866,950.

During the year 1903, national-bank notes to the amount of $196,429,621 were presented for redemption, an increase over the previous year of $24,560,363. The expenses incurred were $174,477.62, which have been assessed upon the banks at the rate of $0.90262 per $1,000 of their notes redeemed.

There is a continuous growth in the ratio of public money of denominations of $10 and below to the total public money in circulation, but the increase in small bills hardly keeps pace with the demand. The process of changing denominations under the act of March 14, 1900, will reach its limit in about two years, and the question of further provision for small notes requires early attention. The Treasurer suggests that gold certificates of the denomination of $10 be authorized, and that the restriction on the issue of $5 notes by national banks be removed.

Gold continues to accumulate in the Treasury. The total holdings of gold on July 1, 1903, were $631,420,789.43, an increase for the year of $71,220,489. On October 1, 1903, the total holdings of gold in the Treasury amounted to $654,811,716. Unrestricted use of gold coin and certificates in all branches of business and the freedom with which they are paid into and out of the Treasury have been marked features of the Treasury operations during the past year.

Transfers of currency by telegraph against deposits in New York, to cover what is called money to move the crops, continue. Depositors find it convenient to offer gold certificates for the exchange, and as small denominations are almost always wanted for local use in the crop-moving districts, the Treasury pays out United States notes of the denomination of $10 and silver certificates of $5 and below.

United States paper currency issued in the fiscal year 1903 amounted to $551,038,000, and the number of pieces was 21 per cent greater than in 1902. Redemptions amounted to $488,558,220 and the number of pieces was 22.1 per cent greater than in 1902.

A new record was made in the receipt of all kinds of money for redemption and exchange during the year. The amount paid for was $864,503,561, an increase of $141,228,315 over the preceding year.

The sum of $35,504,050 was sent to the Philippines from May, 1898, to August 16, 1903.

The standard silver dollars in circulation July 1, 1902, were $68,747,349, and the amount in circulation July 1, 1903, was $72,391,240. The amount distributed at the expense of the Government during the past fiscal year was $41,182,154.

Subsidiary silver coin amounting to $24,112,445 was distributed during the year to depositors therefor, but the amount in circulation shows an increase for the year of only $7,005,466. The rate for transportation on shipments of silver coin during the year was $2.03 per $1,000.

NATIONAL BANKS.

At the close of the year ended October 31, 1903, the national-banking system had been in operation for forty years and eight months. During this time 7,029 national banks were organized, of which 5,907 were banks of primary organization and 1,122 were State banks converted into national associations; 399 banks failed and were placed in charge of receivers, and 1,483 went into voluntary liquidation for the purpose of consolidation with other banks or retiring from business. The failures were 5.6 per cent and the liquidations 21.1 per cent of the total number of banks organized.

During the year ended October 31, 1903, 553 national banks were organized, with a total capital of $34,333,500. Of these banks, 343 were organized with an individual capital of less than $50,000, under authority of the act of Congress approved March 14, 1900, and 210 were organized with individual capital of $50,000 or more. Forty-nine of these banks, with an aggregate capital of $2,438,500, were conversions of State banks; 198, with an aggregate capital of $15,470,000, were reorganizations of State or private banks; and 306, with capital of $16,425,000, were banks of primary organization.

Under authority conferred by the act of March 14, 1900, and from that date to October 31, 1903, 1,148 banks, with an individual capital of less than $50,000, and 617 banks, with an individual capital of $50,000 or over, have been organized under the national-banking system. Of these banks, 207, with a capital of $13,928,500, were conversions of State institutions; 561, with a capital of $36,405,000, were reorganizations of State and private banks, and 997, with a capital of $54,159,500, were banks of primary organization. The number and capital of banks organized since March 14, 1900, in each State, Territory, and geographical division are set forth in the following table:

SUMMARY, BY CLASSES, OF NATIONAL BANKS ORGANIZED FROM MARCH 14, 1900, TO OCTOBER 31, 1903.

States, etc.	Capital —$50,000.		Capital $50,000+.		Total organizations.	
	No.	Capital.	No.	Capital.	No.	Capital.
Maine	1	$25,000	4	$225,000	5	$250,000
New Hampshire	1	25,000	2	200,000	3	225,000
Vermont	1	25,000	.....	.....	1	25,000
Massachusetts	.....	.....	6	2,800,000	6	2,800,000
Rhode Island	.....	.....	1	500,000	1	500,000
Connecticut	2	50,000	1	50,000	3	100,000
Total New England States	5	125,000	14	3,775,000	19	3,900,000
New York	29	735,000	32	6,460,000	61	7,195,000
New Jersey	16	425,000	12	825,000	28	1,250,000
Pennsylvania	95	2,447,000	114	14,775,000	209	17,222,000
Delaware	4	115,000	.....	.....	4	115,000
Maryland	13	352,000	9	830,000	22	1,182,000
District of Columbia	.....	.....	1	250,000	1	250,000
Total Eastern States	157	4,074,000	168	23,140,000	325	27,214,000
Virginia	22	577,500	14	1,110,000	36	1,687,500
West Virginia	21	600,000	16	1,235,000	37	1,835,000
North Carolina	12	310,000	2	150,000	14	460,000
South Carolina	3	75,000	6	810,000	9	885,000
Georgia	13	375,000	11	1,065,000	24	1,440,000
Florida	2	60,000	7	850,000	9	910,000
Alabama	7	177,500	14	925,000	21	1,102,500
Mississippi	2	50,000	8	825,000	10	875,000
Louisiana	6	150,000	9	900,000	15	1,050,000
Texas	133	3,573,000	60	4,480,000	193	8,053,000
Arkansas	5	125,000	4	300,000	9	425,000
Kentucky	16	410,000	13	2,370,000	29	2,780,000
Tennessee	9	235,000	6	470,000	15	705,000
Total Southern States	251	6,718,000	170	15,490,000	421	22,208,000
Ohio	59	1,575,000	41	4,980,000	100	6,555,000
Indiana	36	955,000	23	2,450,000	59	3,405,000
Illinois	67	1,750,000	32	5,130,000	99	6,880,000
Michigan	7	190,000	9	2,680,000	16	2,870,000
Wisconsin	18	470,000	14	1,700,000	32	2,170,000
Minnesota	111	2,826,000	16	1,600,000	127	4,426,000
Iowa	69	1,840,000	23	1,360,000	92	3,200,000
Missouri	12	325,000	10	1,835,000	22	2,160,000
Total Middle States	379	9,931,000	168	21,735,000	547	31,666,000
North Dakota	51	1,285,000	1	50,000	52	1,335,000
South Dakota	32	800,000	2	100,000	34	900,000
Nebraska	39	1,010,000	4	200,000	43	1,210,000
Kansas	36	925,000	15	1,050,000	51	1,975,000
Montana	2	55,000	1	250,000	3	305,000
Wyoming	3	75,000	3	150,000	6	225,000
Colorado	14	365,000	10	850,000	24	1,215,000
New Mexico	9	230,000	3	150,000	12	380,000
Oklahoma	71	1,795,000	9	650,000	80	2,445,000
Indian Territory	62	1,615,000	13	755,000	75	2,370,000
Total Western States	319	8,155,000	61	4,205,000	380	12,360,000
Washington	4	105,000	4	300,000	8	405,000
Oregon	8	200,000	1	100,000	9	300,000
California	6	155,000	24	4,950,000	30	5,105,000
Idaho	11	275,000	2	100,000	13	375,000
Utah	3	80,000	1	50,000	4	130,000
Arizona	4	105,000	2	100,000	6	205,000
Total Pacific States	36	920,000	34	5,600,000	70	6,520,000
Hawaii	1	25,000	1	500,000	2	525,000
Porto Rico	.....	.....	1	100,000	1	100,000
Total Islands	1	25,000	2	600,000	3	625,000
Total United States	1,148	29,948,000	617	74,545,000	1,765	a104,493,000

a Bonds deposited, $25,174,850.

It is a notable fact that the banks organized since the financial legislation of March 14, 1900, constitute nearly one-fourth of the number organized during the entire existence of the national-banking system.

The net increase for the year ended October 31, 1903, in number of banks was 468, and in amount of capital stock, $52,931,400. The number of associations in active operation at the close of the current year was 5,147, with authorized capital stock of $766,367,095. During the year, 12 national banks (exclusive of one association placed in solvent condition and permitted to resume business), with capital of $3,480,000, failed and were placed in charge of receivers, and 72, with capital of $30,720,000, were placed in voluntary liquidation by action of the stockholders.

As a result of the organization of new banks and the refunding operations of the Treasury Department, the bonds on deposit to secure circulation increased during the year ended October 31, 1903, from $338,452,670 to $382,726,830, and the circulation secured thereby increased from $335,783,189 to $380,650,821. To show the connection between the increase of circulation and the refunding operations, it may be noted that the bonds deposited for circulation only increased from $338,452,670 on October 31, 1902, to $342,160,770 on March 31, 1903. In the month of April, 1903, when refunding operations were in progress, the bond deposit increased $10,535,350. In May it increased $15,131,800, in June $7,549,350, in July $4,825,760, and in August $1,313,400. In September, however, there was a decrease of $1,600, but in October an increase of $1,242,000.

The average monthly price of 2 per cent consols of 1930 was highest (110.0185) during October, 1902, and lowest (106.1875) in May, 1903. In September, 1903, the price of consols advanced to 109.1719, in consequence of which, between the 1st and 24th of the month, applications to retire circulation and withdraw bonds deposited as security therefor were filed with the Comptroller of the Currency covering the $3,000,000 monthly limit for the months of September, October, November, and December.

The 2 per cent consols of 1930 constituted 95 per cent of the total bonds on deposit as security for circulation at the beginning of the year and over 98 per cent at the close.

On October 31, 1903, bank circulation outstanding covered by bonds amounted to 49.5 per cent of the banks' capital, an increase of 13 per cent for the year and a greater ratio of circulation to capital than at any time since 1885.

Of the total money in the country on July 1, 1903, national-bank notes, secured by bonds and lawful money, constituted 15.2 per cent. In 1873, national-bank notes outstanding were nearly 45 per cent of

the country's monetary stock, but in 1891 the percentage had fallen to 10¼ per cent. Reaction from that point has been slow, and it was not until 1900 that 14 per cent was reached.

As a result of the passage of the act of March 14, 1900, permitting banks to issue notes to the par value of bonds deposited, authorizing the organization of banks with a minimum capital of $25,000, and reducing the semiannual duty on circulating notes secured by 2 per cent consols of 1930 from one-half to one-fourth of 1 per cent, bank-note issues increased from $249,516,227 on March 1, 1900, to $419,610,683 on October 31, 1903, an increase of $170,094,456.

The following table shows, by months, the number and authorized capital stock of national banks in existence from October 31, 1902, to October 31, 1903, with the amount of bonds on deposit as security for circulation, the average monthly market price of 2 per cent consols of 1930, the circulation outstanding secured by bonds, by lawful money, and the aggregate outstanding:

Date.	Number of banks.	Capital.	Bonds on deposit.	Average monthly market price of 2 per cent consols of 1930.	Circulation secured by—		Total circulation outstanding.
					Bonds.	Lawful money.	
1902.							
October 31	4679	$713,435,695	$338,452,670	110.0185	$335,783,189	$44,693,145	$380,476,334
November 30..	4708	719,300,695	343,018,020	109.3179	341,100,411	43,754,103	384,854,514
December 31..	4758	723,416,695	344,252,120	108.6971	342,127,844	42,801,940	384,929,784
1903.							
January 31....	4784	726,271,695	342,903,520	109.2308	340,587,939	43,385,607	383,973,546
February 28...	4815	736,001,695	342,164,670	108.4405	338,660,261	44,138,484	382,798,845
March 31.....	4869	739,178,695	342,160,770	107.8894	338,349,814	44,169,444	382,519,258
April 30.....	4914	743,106,695	352,696,120	106.4973	347,564,355	43,587,373	391,151,728
May 31	4953	748,531,695	367,827,920	106.1875	363,586,987	42,856,218	406,443,205
June 30.....	5005	754,776,695	375,347,270	106.5216	372,295,408	41,375,242	413,670,650
July 31.....	5044	758,137,095	380,173,030	106.7764	377,606,826	39,739,661	417,346,487
August 31.....	5070	759,277,095	381,486,430	106.8654	380,076,322	38,511,653	418,587,975
September 30..	5096	761,417,095	381,484,830	109.1719	379,515,824	40,910,711	420,426,535
October 31....	5147	766,367,095	382,726,830	107.2685	380,650,821	38,959,862	419,610,683

Comparative condition of national banks.

In conformity with law, the national banks have submitted statements of their condition to the Comptroller of the Currency on five dates since September 15, 1902. The notable features of the statements thus submitted are as follows:

Individual deposits were at a higher point on September 15, 1902, than at any date subsequent thereto, and amounted to $3,209,273,893.93. On September 9, 1903, they were $3,156,333,499.07, a decrease of $52,940,394.86. During the same period the loans and discounts increased $201,319,291.35, but this increase was largely offset by an increase in capital of $48,187,241, in surplus of $60,760,984, and in bank deposits of $26,141,513.

The specie holdings of the banks on September 15, 1902, were $366,236,120.02. On February 6 1903, these holdings had increased

to $417,572,146.37. This was the greatest amount of specie ever held by the banks during the existence of the national-banking system. On September 9, 1903, specie holdings aggregated $397,556,167.94. Of these holdings, $105,569,894.40 was in gold coin, $146,547,220 was in gold certificates, and $63,307,000 was in gold clearing-house certificates. The balance consisted of silver dollars, fractional silver coin, and silver certificates.

On September 15, 1902, the banks held in cash and on deposit with reserve agents and with the Treasurer of the United States in the redemption fund 25.74 per cent of their deposit liabilities on which reserve is required, and on September 9, 1903, 26.60 per cent.

MINT SERVICE.

The domestic coinage of the mints during the year aggregated 184,578,638 pieces of the value of $74,203,000.43. Of this, $45,721,773 was gold coin, $17,972,785 standard silver dollars, $8,023,751.25 subsidiary silver coin, and $2,484,691.18 minor coin. In number of pieces, the total coinage was greater than in any previous year.

The silver dollars were coined from bullion purchased under the act of July 14, 1890. Of the subsidiary silver, $2,509,000 was likewise coined from this bullion. Of this bullion there remained on hand June 30, 1903, 17,502,938.35 fine ounces, which cost $15,836,910. The entire amount will be used for coinage by the close of the fiscal year 1904.

At the request of the Secretary of War, the purchases of bullion required for the silver coins of the Philippine Archipelago, authorized by the act of March 3, 1903, were made by the Director of the Mint, with the approval of the Secretary of the Treasury, and during the last three months of the fiscal year the mints at Philadelphia and San Francisco confined their operations to the manufacture of Philippine coins. There were purchased from March 26 to June 30, 1903, for delivery at the mints at Philadelphia and San Francisco, 7,346,085.40 fine ounces of silver, costing $3,862,680.25. This bullion has been paid for by the Government of the Philippine Islands, and the United States Government has been also reimbursed for the cost of coining the same. The coinage made for the Philippines during the year amounted to 8,037,573.10 pesos in silver and 183,465.30 pesos in miner coin. In addition to these, the mint at Philadelphia coined 750,000 pieces in silver for Venezuela and 1,360,000 pieces in silver for Colombia.

The new mint at Denver, Colo., will be completed and ready for the installation of the machinery, fixtures, apparatus, etc., within the coming year, and provision should be made for the officers, clerks, workmen, and supplies required to operate a coinage mint.

The business of the New York assay office has increased to such proportions that the present building has become inadequate. It is

inconvenient and unsafe and in constant need of repair. It is recommended that provision be made for the purchase of another site and for the construction thereon of a new fireproof building. The present premises could probably be sold for a sum that would defray the cost of a new site conveniently situated and the construction of a modern and thoroughly equipped building.

The limitation of the coinage of subsidiary silver was, in a measure, removed by the act of March 3, 1903, which permitted the bullion purchased under the act of 1890 to be used as required. When this bullion is exhausted, which will be before the end of this session of Congress, no further coinage of subsidiary silver from new bullion can be made without legislation.

Since 1898 it has been possible to keep the mint at New Orleans in operation only by transferring from the mint at Philadelphia a large quantity of silver purchased under the act of 1890. As this bullion will soon be exhausted, there appears to be no course to pursue but to close the New Orleans mint entirely or to reduce it to an assay office after June 30, 1904, as recommended by the Director of the Mint. The deposits of gold at New Orleans are not sufficient to justify any other course.

Including the seigniorage on silver dollars, subsidiary silver coin, and minor coin, the total earnings and gain of the Mint Service during the year exceeded the expenditures by $6,894,448.13.

The earnings and gains were as follows:

Parting and refining charges	$187,999.52
Alloy charges	10,779.58
Melting, assaying, and stamping charges	40,302.78
Seigniorage on standard silver bullion	5,395,395.10
Seigniorage on subsidiary silver coin	878,934.51
Seigniorage on minor coin	1,960,915.59
Profits on manufacture of proof coins and medals	8,701.94
Gains on bullion deposits	77,681.29
Proceeds from sale of old material	4,963.71
Received for special assays	3,236.00
Sale of by-products	20,751.33
Received for manufacture of counting boards, machinery, etc.	4,020.32
Received for coinage for Colombia and Venezuela	15,907.80
Received for coinage for Philippine government	90,067.22
Total earnings and gains	8,699,656.69

The expenditures were as follows:

Equipment, Philadelphia mint	$44,888.33
Equipment (new machinery), San Francisco mint	23,356.37
Equipment, Denver mint	4,237.42
Transfer of gold coin and bullion between mints and assay offices	64,235.88
Paid in salaries and wages	1,156,875.06
Contingent expenses (less wastage and loss in sweeps sold)	436,677.40
Wastage and loss on sale of sweeps	21,743.31
Expense of distributing minor coin	41,682.25
Loss on bullion shipped to mint	275.88
Loss on recoinage, minor coin	11,236.66
Total expenditures and loss	1,805,208.56

The original deposits of gold at the several mints and assay offices aggregated $127,004,442.91. The original deposits of silver amounted to $18,231,319.09.

For the calendar year 1902 the production of gold in the United States is estimated at $80,000,000 and the industrial consumption at $23,000,000. For the fiscal year 1903 the net exports of gold were $2,108,568. The value of gold bullion in the mints and assay offices June 30, 1903, was $157,511,571, and of the gold coin in the country $1,092,041,185, making a total of $1,249,552,756.

OWNERSHIP OF GOLD AND SILVER IN THE UNITED STATES JUNE 30, 1903.

Ownership.	Gold coin and bullion.	Silver coin and bullion.				Total gold and silver coin and bullion.
		Silver dollars.	Subsidiary coin.	Silver bullion.	Total silver.	
U. S. Treasury (free)	$255,033,458	$30,682,416	$9,307,873	$17,603,302	$57,593,591	$312,627,049
U. S. Treasury (for certificates outstanding)	377,258,559	454,733,013	.....	.....	454,733,013	831,991,572
National banks	107,539,938	10,560,422	9,114,765	.....	19,675,187	127,215,125
National banks (for clearing-house certificates)	64,984,000	.....	.....	.....	.....	64,984,000
Other banks and individuals	444,736,801	61,830,818	83,611,929	4,395	145,447,142	590,183,943
Total	1,249,552,756	557,806,669	102,034,567	17,607,697	677,448,933	1,927,001,689

LOANS AND CURRENCY.

The amount of the interest-bearing debt outstanding July 1, 1902, was $931,070,340. The amount July 1, 1903, was $914,541,410, a reduction of $16,528,930, obtained as follows:

Five per cent bonds, loan of 1904, purchased under Circular No. 117 of September 26, 1902	$25,300
Four per cent bonds, loan of 1925, purchased under Circular No. 128 of October 17, 1902	16,504,300
Redemption of refunding certificates in cash	90
Total	16,529,690
Issue of 4 per cent bonds, funded loan of 1907, on account of conversion of accrued interest on refunding certificates	760
Net reduction	$16,528,930

There was a change in the form of the debt owing to the refunding of 3 per cent bonds of 1908 and 4 per cent bonds of 1907 into 2 per cent consols of 1930, as authorized by the act of March 14, 1900. This refunding was undertaken in pursuance of the circular of March 26, 1903. On that day the market values of the bonds were as follows:

3 per cent bonds of 1908	108
4 per cent bonds of 1907	110
2 per cent consols of 1930	107¾

The prices fixed by the Government Actuary for the 3's and 4's as equivalent on April 1, 1903, to their present worth to realize an income of 2½ per cent, were 104.2572 for the 3's and 107.074 for the 4's. If the Government had paid these premiums on account of the exchange of the bonds, there would have been considerable profit to

the owners of the outstanding bonds. It seemed not unreasonable that the Secretary of the Treasury should obtain a part of this profit for the United States, leaving at the same time some inducement to bondholders to make the exchange. This was accomplished by charging a premium of 2 per cent for the new bonds.

Refunding under the circular of March 26, 1903, was discontinued July 31, at which time there had been received $16,042,700 three per cent bonds and $65,099,900 four per cent bonds of 1907, in exchange for which there had been issued $81,142,600 in 2 per cent consols of 1930. The results of this operation are shown in the following table:

	Loan of 1908.[a]	Funded loan of 1907.	Total.
Amount refunded	$16,042,700.00	$65,099,900.00	$81,142,600.00
Interest saved on old bonds to maturity	2,514,993.00	10,842,912.00	13,357,905.00
Interest to be paid on new bonds to maturity of old bonds	1,676,632.00	5,421,456.00	7,098,118.00
Premium paid for old bonds	592,352.43	4,522,217.51	5,114,569.94
Premium received for new bonds	320,854.00	1,301,998.00	1,622,852.00
Net profit	566,832.57	2,201,236.49	2,768,069.06

[a] Here treated as maturing August 1, 1908.

Refunding operations were resumed September 23, 1903, in pursuance of a circular published that day, the terms of the exchange of bonds being the same as under the circular of March 26. To November 1 there were exchanged, under the resumed operations, $3,364,000 three per cent bonds and $4,573,400 four per cent bonds of 1907, a total amount of $7,937,400, for which there have been issued equal amounts of the 2 per cent consols of 1930.

Under circular of September 23, 1903, inviting surrender of 5 per cent bonds of 1904 for redemption with interest to February 1, 1904, there had been presented, to November 1, $9,264,700.

The interest-bearing debt of the United States outstanding November 1, 1903, was $905,277,060, and the annual interest charge thereon was $24,830,781.30. There were $521,340,600 bonds held by the Treasurer of the United States in trust for national banks as security for circulating notes and deposits, leaving $383,936,460 in the hands of other investors.

The changes in the amounts of the several kinds of the money of the United States outside the Treasury between November 1, 1902, and November 1, 1903, are shown in the table following:

COMPARATIVE STATEMENT SHOWING THE CHANGES IN CIRCULATION.

Classes.	In circulation Nov. 1, 1902.	In circulation Nov. 1, 1903.	Decrease.	Increase.
Gold coin	$624,373,645	$621,753,297	$2,620,348	
Standard silver dollars	77,517,158	78,916,739		$1,399,581
Subsidiary silver	91,899,715	96,235,458		4,335,743
Gold certificates	342,756,194	401,646,299		58,890,105
Silver certificates	463,170,438	462,363,039	807,399	
Treasury notes, act of July 14, 1890	25,748,278	16,780,175	8,968,103	
United States notes	343,639,082	340,961,343	2,677,739	
National-bank notes	367,007,482	408,738,518		41,731,036
Total	2,336,111,992	2,427,394,868	15,073,589	106,356,465

The estimated population of the United States November 1, 1902, was 79,572,000 and the per capita supply of money outside the Treasury was $29.36. The estimated population and the per capita supply of money November 1, 1903, were 80,946,000 and $29.99, respectively.

PUBLIC MONEYS.

The monetary transactions of the Government have been conducted through the Treasurer of the United States, 9 subtreasury officers, the treasury of the Philippine Islands, the American Colonial Bank of Porto Rico, and 707 national-bank depositaries. The amount of public moneys held by the bank depositaries on June 30, 1903, including funds to the credit of the Treasurer's general account and United States disbursing officers, was $147,842,610.52, an increase since June 30, 1902, of $23,859,542.93. On June 30, 1903, there were 263 regular and 444 temporary depositaries. One hundred and forty-three were designated during the fiscal year and 8 discontinued. On November 1, 1903, the number of depositaries was 846, and the amount of public moneys held by them was $167,329,841.12.

ENGRAVING AND PRINTING.

The Bureau of Engraving and Printing has promptly met the requirements of the Service for the past year, and has kept within the appropriations provided for its maintenance. The total amount available for the operation of the Bureau during the fiscal year from appropriations and repayments was $3,139,446.57. The expenditure for all purposes connected with the work of the Bureau was $3,136,477.73, leaving an unexpended balance of $2,968.84. While the amount of work delivered during the fiscal year 1903 increased nearly 12 per cent, the increase in expenditure was less than 6 per cent.

During the year the equipment of the Bureau was greatly improved by the installation of a new electric light and power plant, ample for the needs of the service for some years to come, and by the application of electricity to the operation of the machinery in place of cumbersome belts and pulleys. The plant is now believed to be one of the most complete in existence. The Bureau, however, is embarrassed by the lack of necessary space for its operatives, and the large demand for work made upon it during the past year has necessitated the continuance of a night force and the extension of the hours of labor mentioned in the last annual report. Relief from this condition can only be had from Congress by the erection of additional buildings. Initiatory steps in this direction were taken at the last session by authorizing the purchase of additional ground and the erection of two buildings for laundry and stable, at a total cost not to

exceed $215,000. The sum of $100,000 was made available for the purchase of the land and the commencement of the buildings. An additional appropriation of $115,000 will be required for the completion of these buildings. An estimate for this purpose is submitted through the usual channels.

A new series of postage stamps, known as the "Series of 1902," was engraved from designs adopted by the Postmaster-General for the ordinary and special-delivery stamps.

At the request of the Secretary of War, temporary certificates of indebtedness, authorized by the act approved March 3, 1903, were prepared for the Government of the Philippine Islands, and certificates to the amount of $3,000,000 were furnished.

The aggregate delivery of all classes of work during the year was 155,743,691 sheets, which was an increase over the previous year of 16,576,332. The deliveries, in detail, were as follows: To the Treasurer of the United States, 37,112,000 sheets of United States notes, gold and silver certificates, an increase of 2,931,500; to the Comptroller of the Currency, for national-bank circulation, 5,621,078 sheets, an increase of 3,217,526; to the Register of the Treasury, 17,000 sheets of bonds, an increase of 15,000; to the Commissioner of Internal Revenue, 58,084,958 sheets of internal-revenue stamps, an increase of 3,512,353; to the Postal Service, 52,402,381 sheets of postage stamps, an increase of 6,522,301.

The deliveries of miscellaneous work were 2,506,274 sheets, an increase of 377,652.

CUSTOMS.

Reorganization of districts.

Inspection of the following table will show an urgent necessity for the rearrangement of the customs districts. As will be seen by this table, there are 45 districts where it costs more than one dollar to collect a dollar. It is unnecessary to present any argument on this subject. Legislation to put all customs districts on a business basis is an imperative duty to the country at large. Undoubtedly customs officers will necessarily be retained at ports where the collection of the revenue is meager. They should, however, be only sufficient in number to afford proper protection to the revenue. Independent ports with large establishments, many employees, and the incidental expenses, which come as a matter of course, should be converted into subports tributary to some larger self-sustaining port. The reduction in the expenses of maintenance and the consolidation of the receipts in one district would permit the Government to have every customs district on a self-sustaining basis at least. Either some specific legislation on this subject by Congress,

reorganizing the customs districts of the country, should be enacted, or the Secretary of the Treasury should be given discretion and authority to rearrange customs districts and put the collection of the revenues from customs on a business basis.

LIST OF PORTS AT WHICH CUSTOMS EXPENSES EXCEED RECEIPTS.

Name of port.	Receipts.	Expenses.	Number employed.	Cost of collecting one dollar.
Albemarle (Elizabeth City), N. C	$87.00	$1,770.67	2	$20.35
Apalachicola, Fla	1,913.61	3,513.63	4	1.83
Barnstable, Mass	729.43	4,107.16	7	5.63
Beaufort, N. C	13.01	1,775.12	2	136.44
Beaufort, S. C	761.41	3,585.32	4	4.70
Belfast, Me	2,738.80	2,985.45	6	1.09
Brazos (Brownsville), Tex	4,732.77	31,991.11	26	6.75
Bridgeton, N. J	292.60	1,437.38	5	4.91
Bristol and Warren, R. I	103.61	254.15	2	2.45
Burlington, Iowa	52.67	441.80	1	8.38
Burlington (Trenton), N. J	4.80	162.00	2	33.75
Castine, Me	1,808.85	4,542.55	6	2.51
Chattanooga, Tenn	27.73	388.70	2	14.01
Cherrystone (Cape Charles City), Va	30.00	956.80	3	31.89
Eastern (Crisfield), Md	737.00	2,824.20	2	381.64
Edgartown, Mass	534.64	2,538.18	4	4.74
Frenchmans Bay (Ellsworth), Me	982.37	3,827.49	5	3.89
Galena, Ill	.70	378.05	1	540.07
Georgetown, S. C	32.27	485.42	2	15.04
Gloucester, Mass	7,611.24	18,489.65	14	2.42
Great Egg Harbor (Somers Point), N. J	1,890.84	2,045.19	3	1.08
Humboldt (Eureka), Cal	1,491.64	2,874.18	1	1.92
Kennebunk, Me	6.47	114.32	2	17.66
La Crosse, Wis	13.80	362.00	2	26.23
Machias, Me	1,212.44	4,290.43	5	3.53
Michigan (Grand Haven), Mich	5,132.42	8,886.69	14	1.73
Nantucket, Mass	15.70	366.20	1	23.32
New London, Conn	1,278.83	4,911.44	5	3.84
Pamlico (Newbern), N. C	1,324.50	5,891.50	5	4.44
Pearl River (Shieldsboro), Miss	7,914.93	9,177.84	6	1.16
Plymouth, Mass	786.06	1,455.10	2	1.85
Rock Island, Ill	22.08	775.14	2	35.10
Saco, Me	87.35	482.26	2	5.52
St. Marks (Cedar Keys), Fla	300.05	1,523.59	2	5.07
St. Marys, Ga	2.44	581.90	1	238.48
Salem and Beverly (Salem), Mass	5,308.96	6,117.19	6	1.15
Sandusky, Ohio	2,359.28	4,377.55	9	1.85
Southern Oregon (Coos Bay), Oreg	10.00	1,308.92	2	130.89
Teche (Brashear), La	109.21	3,036.43	3	27.80
Vicksburg, Miss	26.20	547.55	1	20.89
Waldoboro, Me	4,026.75	7,459.87	7	1.85
Wheeling, W. Va	880.55	1,529.90	2	1.73
Wilmington, N. C	4,760.43	6,720.12	5	1.41
Wiscasset, Me	966.94	3,388.96	3	3.50
York, Me	5.19	236.87	1	45.44

While a complete reorganization of the customs districts is advisable, the correction of a deplorable condition of affairs in the Puget Sound district is imperative. There can be no justification whatever for the continuation of present conditions. By law the collector of customs is required to live at Port Townsend, 34 miles from the nearest subport. He is required by law also to keep his records at this point, inaccessible to the remainder of the district in any way except by boat. Mail communication with him from Washington requires two days more than if he were stationed in Seattle. For the fiscal year ended June 30, 1903, the total receipts from all sources in the Puget Sound district were $1,127,774.04. Of this amount, Seattle collected 55.1 per cent; Tacoma, 35.1 per cent; Port Town-

send, 3.4 per cent; all other ports, 6.4 per cent. During that time 68.1 per cent of all importations was made at Seattle; 20.8 per cent at Tacoma; .5 per cent at Port Townsend, and 10.6 per cent at all other ports (twelve in number). Moreover, there are other reasons why the collector of the district should be at Seattle. There are 14 subports in the district. The collector at present is almost inaccessible to these subports, and for that reason close inspection necessary to an efficient service is lacking. In one of the most important customs districts in the United States, and one where it is most difficult to prevent smuggling and frauds against the revenue, the collector should be at the point affording the most advantageous transportation.

While, therefore, it is necessary that Port Townsend be maintained as a subport for the clearance of vessels and the necessary inspection for marine and customs purposes, there is not a single business argument to justify its continuance as the port of entry for so great a customs district as that of Puget Sound, and I heartily recommend that legislation be adopted at this session of Congress creating Seattle the port of entry and authorizing the removal of the records to that city, leaving the necessary force at Port Townsend to do the necessary work of a subport. I regard this recommendation as only fair to the commercial interests of the far Northwest.

In this connection, I desire to recommend to Congress the extension of immediate transportation privileges to Blaine, Nelson, and Sumas. These ports are on the border, and through them pass international railroads. In order to facilitate commerce, these points should have the benefits of the immediate-transportation law. Spokane, by reason of large importations, should also be given all the privileges of this law.

The benefits of the immediate-transportation act should be extended at once to San Juan, P. R.

The office of the collector of customs for the district of Pearl River, Miss., should be transferred from Shieldsboro (Bay St. Louis) to Biloxi. Seagoing vessels can not touch at the first-named place, and the important business of the district is transacted at Biloxi. The chief port of entry in the district of Alaska, now Sitka, should be transferred to Juneau, with which place there is now telegraphic communication. This would enable the collector to communicate more quickly with the Department and with the numerous subports in his jurisdiction, which is growing rapidly in importance.

Improved methods at ports.

A reorganization of the methods of handling merchandise at the port of New York and some of the other large ports has been inaugurated during the fiscal year, and the results have abundantly justi-

fied the changes made. By means of time stamps and other checks, the movement of merchandise through the custom-house is checked to the minute and delays have been reduced in some cases several days. All unwarranted delay has been eliminated entirely, and the responsibility for any congestion or stagnation in the movement of merchandise can be fixed instantly. As a result of these changes, complaints of delay in the delivery of merchandise from customs custody at the port of New York have practically disappeared. Similar changes were under way at other ports at the close of the fiscal year.

Prosecutions for violation of the customs laws have been vigorous. The Department of Justice has given the most thorough and cordial cooperation, and the result has been a number of successful prosecutions throughout the country, all of which will have a deterrent effect upon fraud against the revenues.

Steps have been taken during the last fiscal year to secure a more uniform appraisement of merchandise throughout the country, and to that end orders were issued enlarging the scope of the appraisers' conference, enabling additional officers acting as appraisers to participate. Good effects are anticipated from this policy of encouraging uniform valuation.

In this connection, the appropriation for the conference of appraisers should be increased to such an extent that all officers acting as appraisers throughout the United States may be included in this conference. It is only through conferences of this nature that absolute uniformity of appraisement can be secured in all the important ports, and I recommend that sufficient money be appropriated to secure the best results from such a policy.

Specific authority should be given by Congress for the designation of some subordinate at each port to act as acting appraiser in the absence of the appraiser.

Special attention has been directed toward the customs service for the Louisiana Purchase Exposition, and arrangements have been made that exhibitors at the fair be given every facility for the prompt passage of their exhibits through the customs.

It is urgently recommended that Congress require the registration of all customs brokers in the United States under such regulations as may be prescribed by the Secretary of the Treasury.

Smuggling.

The suppression of smuggling has required the constant vigilance of customs officers. In New England a former offender was arrested, convicted, and imprisoned on the charge of smuggling tobacco in bales; two smugglers of laces are now under bail awaiting trial, and

criminal proceedings are pending against smugglers of woolen cloths concealed in cars containing paper stock. At several of the larger ports numerous arrests of seamen detected in smuggling Sumatra tobacco have been made. In northern New York two persons were convicted of smuggling wool. Frequent seizures of smuggled wool, horses, and cattle are made in that section. In Florida a conspiracy of long standing to smuggle cigars from Havana has been unearthed and criminal prosecutions are in progress in this connection, and also for the illicit introduction of Cuban rum. Customs officers on the Mexican frontier have been lately required to arrest smugglers, in addition to making seizures, with good results.

With the cooperation of the Postmaster-General, the illicit importation of merchandise in the foreign mails is expected to be greatly reduced, postmasters being required to make good the duties not collected through their negligence.

In Illinois two persons have been lately convicted of smuggling so-called Mexican drawn work, and goods in their possession of the value of over $3,000 have been seized for forfeiture. On the Pacific coast the officers have been vigilant and active. At San Francisco alone there were 1,442 seizures of goods, appraised at an aggregate of $25,771.31, and two opium smugglers were sentenced to imprisonment. Thirty arrests for similar offenses were made in the district of Puget Sound.

Undervaluation.

Fraud upon the customs revenue from undervaluation of imported merchandise, though of frequent occurrence, is difficult to establish. Many classes of imported goods, purchased abroad by the buyers of American houses, are consigned by the manufacturers to agents in New York for entry and delivery, instead of being invoiced directly to the purchaser. If such goods are made exclusively for this market, as is sometimes claimed, it is not easy to ascertain their real value in the foreign market.

Experienced and efficient agents are employed to investigate and report upon such irregularities, and their services have been valuable. In New York one importer was convicted and imprisoned for fraud in the importation of high-grade chemicals, and an appraising officer in collusion with him was dismissed and is yet to be tried on a criminal indictment. Importers of precious stones have attempted to evade proper appraisement by shipping their goods in bond to agents at the smaller ports. The Department has given special attention to such cases, and advances in value involving penalties have been sustained on reappraisement.

INTERNAL REVENUE.

The collections in the Internal Revenue Bureau have been variable during the past five years because of the passage of Spanish-war revenue taxing laws, which for three years increased the collections by $100,000,000 per year. Congress, by act approved March 2, 1901, reduced materially the receipts of the Bureau by a partial repeal of these laws, and by act approved April 12, 1902, the Spanish-war taxes were totally repealed. During the past fiscal year, therefore, the objects and rates of internal-revenue taxation have been practically the same as those existing prior to the 1st of July, 1898. By reason, however, of general business conditions, the income of the Government from internal-revenue receipts is much larger than prior to the Spanish war. The total receipts for the fiscal year which ended June 30, 1898, were $170,866,819.36. The receipts for the past fiscal year were $60,000,000 greater. The following summarized statements show the operations of the Bureau during the year:

RECEIPTS FROM INTERNAL REVENUE, AS SHOWN BY COLLECTORS' REPORTS, IN 1902 AND 1903.

Objects of taxation.	Fiscal year ended June 30—		Increase.	Decrease.
	1902.	1903.		
Distilled spirits	$121,138,013.13	$131,953,472.39	$10,815,459.26	
Manufactured tobacco	51,937,925.19	43,514,810.24		$8,423,114.95
Fermented liquors	71,988,902.39	47,547,856.08		24,441,046.31
Oleomargarine	2,944,492.46	736,783.31		2,207,709.15
Filled cheese	24.00	6,445.26	6,421.26	
Mixed flour	2,212.85	1,795.50		417.35
Adulterated butter, and process or renovated butter	*a* 500.00	151,558.97	151,058.97	
Banks and bankers	227.50	899.50	672.00	
Miscellaneous	*b* 23,855,692.73	*c* 6,827,303.97		17,028,388.76
Total	271,867,990.25	230,740,925.22		41,127,065.03

a Advance collections under act of May 9, 1902.
b Includes special taxes, legacies, Schedules A and B, excise tax, etc., repealed July 1, 1902.
c Includes $5,336,774.90 from legacies on which the tax had accrued prior to the repeal of the act.

A detailed statement of the receipts and expenditures will be found in the report of the Commissioner of Internal Revenue.

The total cost of collection for the fiscal year ended June 30, 1903, was $4,771,188.50.

The total production of distilled spirits, exclusive of fruit brandies, was 141,776,202.1 taxable gallons, against 128,623,401.9 gallons in 1902, an increase of 13,152,800.2 gallons.

The production of fruit brandies increased 2,210,273 gallons.

During the fiscal year 1903, 2,441 distilleries of all kinds were operated, a decrease of 497.

The production of beer was 46,720,179 barrels, an increase of 2,170,052 barrels.

The total receipts from the taxes on tobacco, cigars, cigarettes, snuff, etc., were $43,514,810.24. The receipts from the same sources in 1902 were $51,937,925.19 a decrease of $8,423,114.95.

PUBLIC BUILDINGS.

The work of erecting the various public buildings authorized by Congress to be constructed by this Department is progressing with all possible dispatch. Owing, however, to the large number of buildings, for which limits of cost were fixed by the third session of the Fifty-fifth Congress and the first and second sessions of the Fifty-seventh Congress, a considerable volume of work yet remains to be done. Every energy of the Department is being used to carry into effect the various appropriation acts of Congress relating to public buildings, and satisfactory results are being secured. Delays in beginning work on many of these buildings are due to difficulties encountered in securing title to the sites selected. The Department is prohibited by law from doing any work upon the plans for public buildings until title to the sites therefor is vested in the Government, and this provision of law, while wise, frequently prevents commencement of work on buildings which are urgently needed.

The constant aim of the Department in recent years has been to construct the buildings within the limits of cost fixed by Congress, and as a result of this policy it is rare that a deficiency appropriation in any amount is requested. In the earlier days of public construction, deficiencies sometimes running into the millions were annually asked.

In order to expedite the construction of many buildings which would otherwise be delayed, consideration has been given to an extension of the operations of the Tarsney Act, in order to secure competitive plans for certain of the smaller buildings; and while the matter is yet in an experimental stage, the results will be carefully considered, and if found satisfactory the number of buildings to be erected under the act referred to will be increased.

STATEMENT OF BUILDINGS COMPLETED, SITES AUTHORIZED, ETC.

Total number of buildings and sites at date of last report	578
Add custom-houses, Mayaguez, Ponce, and Humacao, P. R. (President's proclamation, June 30, 1903); Nome, Alaska (Executive order, April 16, 1903), and post-office, Honolulu, Hawaii (governor's proclamation, May 4, 1903)	5
New sites authorized since date of last report	31
Total	614

The above is amplified as follows:

Number of buildings completed and occupied at date of last report, including marine hospitals and quarantine stations	386
Completed since	12
Add custom-houses in Porto Rico and Nome, Alaska, and post-office, Honolulu, Hawaii	5
In course of erection	35
Not begun	132
Number of sites only	44
Total	614

EXPENDITURES FOR PUBLIC BUILDINGS DURING FISCAL YEAR ENDED JUNE 30, 1903.

For sites, for the construction of public buildings, extensions, and additions and alterations especially appropriated for	$6,610,475.39
For repairs and preservation of public buildings	417,939.05
For heating apparatus for public buildings	146,201.77
For vaults, safes, and locks for public buildings	29,573.71
For photographic duplication of plans for public buildings, including books of reference and technical periodicals	2,160.04
Total	7,206,349.96

PNEUMATIC DISPATCH SYSTEM.

The Department renews the recommendation contained in the last annual report that a system of pneumatic dispatch be installed to connect the Treasury Department with its various branches as now established in the city of Washington.

PUBLIC HEALTH AND MARINE-HOSPITAL SERVICE.

The operations of this Service have been conducted during the past fiscal year under the act of Congress to "Increase the efficiency and change the name of the Marine-Hospital Service," approved July 1, 1902, and new regulations issued in accordance therewith.

Sanitary convention of American republics.

In accordance with resolutions passed by the second International Conference of the Pan-American States, held in the City of Mexico, October, 1901, to January, 1902, the first general International Sanitary Convention of the American Republics was held at Washington, D. C., from December 2 to December 5, 1902. Eight Central and South American republics, Mexico, and the United States were represented in the convention, which effected the formation of an international sanitary bureau, to aid and be aided by the several republics and to be permanently located in Washington.

National quarantine service.

Maritime quarantine has been conducted at 37 national quarantine disinfection and inspection stations in the United States proper, and 5,922 vessels were inspected before entry and 352 vessels disinfected.

In October, 1902, by request of the State health authorities of Maine, inspectors were stationed, and are still maintained, on the northern border of that State to prevent the introduction of smallpox from the Province of New Brunswick.

The inspection service on the Mexican border has been continued against the introduction of smallpox, yellow fever, and plague, which last disease made its appearance in Ensenada, Lower California, and Mazatlan, upon the west coast of Mexico.

National quarantine has been conducted through officers of the Service in all the principal ports of Porto Rico, Hawaii, and the Philippines. The recrudescence of the cholera epidemic in the Philippines necessitated the maintenance of a stringent outgoing quarantine upon all vessels from Manila to the uninfected ports in the islands as well as to ports in the United States and its other insular possessions. A quarantine of five days is imposed on army transports before allowing them to sail for the United States.

Under legislation enacted during the Fifty-seventh Congress, $80,000 was appropriated for improvements to the station on Quarantine Island in Honolulu Harbor, and measures are under way for effecting the required improvements.

Service officers, with supervision over all outgoing vessels bound for the United States or its insular possessions, are stationed at five ports in Cuba—Havana, Matanzas, Nuevitas, Santiago, and Cienfuegos. Officers are also stationed at seven fruit ports in Central and South America to inspect fruit vessels departing for our southern ports. On account of the prevalence of plague in China and Japan, medical officers have been detailed for duty at Yokohama, Nagasaki, and Kobe, Japan, and Hongkong and Shanghai in China; and because of yellow fever in Mexico details have been made for duty at Vera Cruz, Progreso, and Tampico.

New regulations for maritime quarantine and for the Mexican and Canadian borders were prepared and promulgated by the Secretary of the Treasury April 1, 1903, in which practical recognition is given to recent advances made in the study of the origin and propagation of epidemic disease.

Smallpox, plague, and yellow fever.

Reports show the continued prevalence of smallpox in a mild form in nearly every State of the Union. During the fiscal year 1903, there were reported in 44 States 42,590 cases, with 1,642 deaths, a mortality of 3.86 per cent.

Cases of plague have continued to appear in the Chinese district of San Francisco. Thirty-eight cases were reported during the fiscal year. The aid afforded the municipal authorities has been continued, and this joint work has no doubt served to confine the disease to its original limits.

No yellow fever was reported in the United States during the fiscal year, although it is now prevailing in some of the ports of Mexico and more southern countries. Cuba has continued to be free from it.

The work of the yellow-fever institute mentioned in the last two annual reports has been continued, and five bulletins, Nos. 9 to 13, have been issued. Bulletin No. 13 is of special importance, and is a study of the etiology of yellow fever, being the report of a working

party of medical officers stationed at Vera Cruz, Mexico, from May to October, 1902, and whose labors were continued in the United States until March, 1903. At the present time a second working party is continuing the investigation at Vera Cruz to verify the findings of the first party, and to endeavor to demonstrate the life cycle of the organism in the blood and tissues of yellow-fever patients.

Marine hospitals.

The Surgeon-General reports the relief statistics for the year as follows:

Total number of patients	58,573
Number of patients treated in hospital	13,567
Number of patients treated in dispensary	45,006
Total number of days' relief in hospital	383,389
Excess in number of patients over previous year	2,263
Excess in number of days' relief over previous year	26,620

The Service controls and operates 23 hospitals, of which 22 are owned by the Government. In addition to the marine hospitals, there are 121 relief stations where seamen receive hospital and dispensary treatment. A relief station was established during the year at Nome, Alaska.

The purchase of the Seamen's Retreat, Staten Island, N. Y., heretofore leased and operated as a marine hospital, was consummated during the year. The price paid was $250,000. The commission appointed by Department order of October 15, 1902, recommended that a part of the United States arsenal reservation in Pittsburg, Pa., be obtained for a hospital site, and the act of March 3, 1903, authorized the transfer to the Department, at the discretion of the Secretary of War, of 5 acres for this purpose. The commission appointed by the Department February 17, 1903, recommended purchase of a site in Buffalo, N. Y., approximately 5 acres in extent. Building plans for a hospital at Savannah, Ga., are now being prepared by the Supervising Architect. The hospital will be erected on land owned by the Government.

Sanatorium for consumptives, Fort Stanton, N. Mex.

Two hundred and seventy-four patients have been treated during the year, an excess of sixty-two over the previous year. Twelve were discharged recovered, fifty-four improved, and ten not improved; one hundred and fifty remained under treatment at the close of the year.

Medical inspection of immigrants.

During the fiscal year, 857,046 immigrants were inspected by the officers of the Service to determine their physical fitness for admission as prescribed by the immigration laws. One officer has been stationed

at Naples, Italy, and another at Quebec, Canada, in the interest of the medical-inspection service. Examinations are conducted at 32 ports in the United States, and on account of the large number of immigrants entering at New York, Boston, Baltimore, Philadelphia, New Orleans, and San Francisco, medical officers have been assigned to duty at these ports exclusively for the examination of arriving aliens. Under statute, the expense of these inspections is met by the immigration fund.

Personnel.

At the close of the fiscal year the commissioned corps of the Service consisted of 109 officers, as follows: The Surgeon-General, 6 assistant surgeons-general, 24 surgeons, 27 passed assistant surgeons, and 51 assistant surgeons. There were 179 acting assistant surgeons, including 7 appointed for duty at fruit ports of Central and South America.

Expenditures.

The balance of the appropriation for the maintenance of the Public Health and Marine-Hospital Service at the beginning of the fiscal year was $635,831.51; the receipts from all sources, tonnage tax, repayments, care of foreign seamen, and reimbursements from the Immigration Service, etc., were $947,240.98. The expenditures for the same period were $1,096,434.49, leaving a balance on hand at the end of the fiscal year of $486,638.

The amount available of the appropriation for preventing the spread of epidemic disease at the beginning of the fiscal year was $654,090.10; the expenditure was $165,038.11, leaving a balance July 1, 1903, of $489,051.99.

The amount of the appropriation for the quarantine fund was $325,000. There were repayments for the care of foreign seamen, etc., of $2,621.83. The expenditures were $322,712.02, leaving a balance at the close of the fiscal year of $4,909.81.

LIFE-SAVING SERVICE.

The operations of the Life-Saving Service during the past year are shown by the following statistics:

There were 346 disasters to documented vessels, on board of which were 3,682 persons, of whom 20 were lost. The value of the vessels was estimated at $7,101,605 and that of their cargoes at $1,746,610, making the total value of property imperiled $8,848,215, of which $7,683,580 was saved and $1,164,635 lost. The number of vessels totally lost was 57.

There were also 351 casualties to undocumented craft comprising sailboats, rowboats, etc., involving 655 persons, 4 of whom perished.

The total value of property involved in these disasters is estimated at $202,935, of which amount $198,465 was saved and $4,470 lost. The aggregate, therefore, is as follows:

Total number of disasters	697
Number of vessels totally lost	57
Total number of persons involved	4,337
Total number of persons lost	24
Total number of shipwrecked persons succored at stations	1,086
Total number of days' succor afforded	2,414
Total value of property involved	$9,051,150
Total value of property saved	$7,882,045
Total value of property lost	$1,169,105

Fifty-six persons who were not on board vessels, and therefore not included in the foregoing summary, were rescued from positions of peril.

The station crews rendered necessary and very important services in saving 573 vessels and their cargoes, and assistance of minor importance was afforded to 438 other vessels, making a total of 1,011 vessels, including craft of all kinds, aided by the Service. Besides these, 218 vessels which were discovered running into danger of stranding were warned off by the patrolmen—198 by night and 20 in the daytime.

At the close of the fiscal year the establishment embraced 273 stations, of which 196 are located on the Atlantic and Gulf coasts, 60 on the coasts of the Great Lakes, 1 at the Falls of the Ohio (Louisville, Ky.), and 16 on the Pacific coast. The net expenditure for the maintenance of the Service during the year was $1,721,727.48.

Contract has been awarded for the construction of the station authorized to be established at Fishers Island, N. Y., and sites have been selected and plans and specifications are being prepared for stations authorized to be established at Old Topsail Inlet (Beaufort), Bogue Inlet, and Ocracoke Island (near Ocracoke Inlet), all in North Carolina. New stations have been completed at Buffalo, N. Y., and Arena Cove, Cal., and others are in process of construction at Chicago, Ill., Racine, Wis., Sabine, Tex., and Long Branch, N. J.

Contract has been entered into for the rebuilding of the old Crumple Island station to be located on Great Wass Island, Me. Stations at Long Beach and Squan Beach, N. J., Seatack (Virginia Beach), Va., and Whales Head (Currituck Beach), N. C., which were under reconstruction at the date of the last annual report, have been completed, as have also the floating station located at the Falls of the Ohio (Louisville, Ky.), and a new station at Ship Canal (Portage), Mich.

The Department renews its recommendation of last year for the enactment of legislation in behalf of members of life-saving crews disabled in the Service and the widows and orphans of those who lose their lives by reason of injury or disease incurred in the line of duty.

REVENUE-CUTTER SERVICE.

The following is a summary of the work performed by vessels of the Revenue-Cutter Service for the fiscal year 1903, together with the net expenditures:

Lives saved (actually rescued) from drowning	19
Persons on board vessels assisted	799
Persons in distress taken on board and cared for	31
Vessels in distress assisted	71
Vessels boarded and papers examined	21,404
Vessels seized and reported for violation of law	230
Fines and penalties incurred by vessels reported	$34,680
Value of vessels assisted and their cargoes	$2,648,549
Net expenditures	$1,390,000

The operations of the Service during the year have covered the entire coast line of the United States and the island of Porto Rico. Thirteen officers have been constantly on detached service with the Life-Saving Establishment, under provisions of law, for the construction and inspection of life-saving stations, drilling and disciplining crews, etc. One officer has been on duty connected with the Immigration Service at New York, and another detailed for duty with the Louisiana Purchase Exposition.

As noted in the last annual report, the revenue cutter *Manning* found during a cruise among the Aleutian Islands, in the summer of 1902, what appeared to be a seal rookery located on Buldir Island. It was deemed of great importance that the presence of possible seal haunts in these islands should be definitely determined. The *Manning* was accordingly assigned to the work, and the cruise of that vessel for the purpose indicated was in progress at the close of the fiscal year.

In July, 1902, application was made by the Navy Department to have a vessel of the Revenue-Cutter Service make a reconnoissance of the Bay of Water Falls and Nazan Bay, in the Aleutian Islands, with a view of determining the availability of one or both of those places for a naval coaling station. On July 19 the revenue cutter *McCulloch* was ordered upon the service indicated. The harbors named were carefully examined, surveyed, and charted, and the information forwarded to the Bureau of Navigation, Navy Department.

The patrol of the North Pacific and Bering Sea by vessels of the Service, designated by the President for the purpose, was in active progress at the close of the year.

Vessels.

The attention of Congress is again invited to the necessity for new vessels for this Service. They are urgently required, as follows:

One for the sounds of North Carolina to replace the *Boutwell*, which is worn out and not worth other than minor repairs. A suitable vessel for these waters can be constructed for $160,000.

One for service in Florida waters, headquarters at Key West, to replace the *McLane*, condemned and ordered sold. A suitable vessel for this station can be constructed for $200,000.

One for Puget Sound, Wash., to replace the *Grant*. A suitable vessel for this service will cost not less than $200,000. The *Grant* is 32 years old, having been built at an original cost of $92,500. There has been expended on it in repairs up to September 15, 1903, the sum of $93,786.18. To put the *Grant* in fairly efficient state for service would cost not less than $50,000, and it is not economy or good administration to expend any sum whatever on this old vessel, except enough to keep it in service until a new one can be provided.

One for service in Hawaiian waters, headquarters at Honolulu. A suitable vessel will cost not less than $250,000.

Two launches for service in the waters of Puget Sound. This class of vessel is needed to supplement the force now in operation on Puget Sound. Suitable vessels of the launch class can probably be constructed for $15,000 each.

The *Bear* and *Thetis* are the only vessels possessed by the Government which can cope with ice conditions in the Bering Sea and Arctic Ocean. They are in need of extensive repairs in hull and motive power, which will require an expenditure of not less than $65,000 on each. The necessary funds should be appropriated, as these vessels could not be duplicated for less than $200,000 each. Without efficient vessels of their type, no relief can be extended to American interests in the Bering Sea or arctic Alaska.

The revenue cutter *Galveston* is a fine hull of excellent construction, and is well worth new motive power. It is recommended that a sum not less than $75,000 be appropriated to provide new boilers and engine and to make needed repairs. This vessel could not be duplicated for less than $200,000.

Discipline.

The Revenue-Cutter Service is an organized integral arm of the public service, similar in features and duties to the organized Navy, and it is imperative that the safeguards of law be thrown around it in the matter of discipline and efficiency, not only for the protection and well-being of the Service itself, but as well for other public interests and good administration. As matters now stand, an enlisted man may with impunity desert the service, even in war time in the face of the enemy, with immunity from arrest or punishment. The correction of ordinary delinquencies or breaches of discipline can now only be effected by force without law behind it. It is therefore urged that suitable legislation be enacted covering this subject in its entirety. A bill will be presented to Congress for its consideration, which, if enacted, can be enforced without cost.

Pensions.

Attention is again invited to the necessity for making suitable provision for pensions for the enlisted force of the Revenue-Cutter Service. Under existing conditions, there have been many men who have served faithfully for more than twenty years and become physically unfit for the Service, and others who have been maimed in the performance of duty. Under existing law, there is no recourse but to discharge these unfortunates at a time of life or in a physical condition which finds them unable to earn even a sustenance.

SECRET SERVICE.

Incidental to the transaction of the routine work of the Secret-Service Division, 424 cases were prosecuted and $30,000 in counterfeit notes and coins were confiscated. No new counterfeit notes of a dangerous character made their appearance, and the amount of spurious money in circulation was so small as to elicit the favorable comment of the banks. In this respect, matters were never in a more satisfactory condition. In addition to the usual duties of this Service, much valuable work was accomplished for other Departments. Systematic violations of the naturalization laws were investigated, a large number of arrests made, and convictions of the offenders secured. A defaulting officer of one of the national banks was traced to Central America, brought back to this country, and imprisoned for his crime; infractions of the bankruptcy laws were investigated and the offenders brought to trial; Government employees guilty of the theft of Government property were detected and punished, and in many ways this division of the Secretary's office was of material assistance in fixing the responsibility for grave offenses against the Federal laws. The general efficiency of the division was materially increased by the adoption and installation of the Bertillon system of identification in its 25 districts.

DISTRICT OF COLUMBIA.

The net expenditures on account of the District of Columbia for the fiscal year 1903 were $3,584,037.32. The net revenues deposited in the Treasury on this account for the same period were $3,168,038.56.

During the year, 3.65 per cent bonds for $3,500 were issued and sold, and the proceeds applied to the payment of a judgment of the Court of Claims against the District. The amount of the debt retired during the year, including the bonds called for redemption on which interest has ceased, amounted to $1,282,800, resulting in a net reduction of $1,279,300 in principal and of $58,441.40 in the annual interest charge. Since the close of the fiscal year the debt has been further reduced by the purchase of 3.65 per cent bonds for $45,750 and by the

redemption of $13,000 seven per cent water-stock bonds maturing July 1, 1903. The total bonded debt now outstanding is $12,858,500, consisting entirely of 3.65 per cent bonds.

The total issue of 3.65 per cent bonds is limited by law to $15,000,000, and of this sum $14,972,800 has now been issued.

Detailed information in regard to the affairs of the District of Columbia will be found in the report to be submitted by the District Commissioners and by the Treasurer of the United States, ex officio commissioner of the sinking fund of the District.

STATE BONDS AND STOCKS OWNED BY THE UNITED STATES.

The following statement shows the nonpaying State bonds and stocks, formerly in the Indian trust fund, now in the Treasury, belonging to the United States:

Louisiana	$37,000.00
North Carolina	58,000.00
Tennessee	335,666.66⅔
Total	430,666.66⅔

The above is a statement of the principal of such stocks and bonds, and does not include interest.

The indebtedness of the State of Tennessee is subject to such action as may be taken under the joint resolution approved May 12, 1898 (30 Stat. L., pp. 742, 743), which provides for the adjustment of the claims between the United States and the State, with directions that any settlement or compromise effected by virtue of the act shall be reported to Congress for its action and approval.

During the present calendar year $125,000 of South Carolina State bonds and $594,800 of Virginia State bonds, heretofore included in this statement, were canceled and returned to the States, settlement of the accounts between the United States and these States having been made, in the case of Virginia, in accordance with the provisions of the act of May 27, 1902, and in the case of South Carolina under the act of May 27, 1902, and the act of March 3, 1903.

A history of these State stocks and bonds is given in House document No. 263, Fifty-fourth Congress, second session.

CENTRAL PACIFIC DEBT.

All amounts which have become due to the United States under the agreement dated February 1, 1899, for the settlement of the indebtedness of the Central Pacific Railroad Company, have been paid by the railroad company in full, including interest on all outstanding notes to August 1, 1903.

The principal of all notes held August 1, 1903, amounted to $32,346,993.58, and first-mortgage bonds to the amount of $32,347,000 were held as security for the payment thereof.

HAWAIIAN DEBT.

Pursuant to the appropriation made by the act of March 3, 1901 (31 Stat. L., 1152), to carry into effect the agreement embodied in the joint resolution "To provide for annexing the Hawaiian Islands to the United States," approved July 7, 1898, under which not exceeding $4,000,000 of the debt of Hawaii, including postal savings deposits, was assumed by the United States, interest-bearing bonds and postal certificates have been redeemed by this Department, as follows:

Bonds, etc.	Amount—		Balance unpaid.
	Assumed by United States.	Paid by United States.	
Bonds	$3,235,400.00	$3,225,400.00	$10,000.00
Postal savings deposits	764,570.31	761,172.76	3,397.55
Total	3,999,970.31	3,986,572.76	13,397.55

HAWAIIAN FIRE CLAIMS.

In accordance with the provisions of the act of Congress approved January 26, 1903, appropriating $1,000,000 for the payment in part of judgments rendered under an act of the legislative assembly of the Territory of Hawaii for property destroyed in suppressing the bubonic plague in the Territory in 1899 and 1900, and authorizing the Territory of Hawaii to issue bonds for the payment of the remaining judgments, the governor of the Territory on May 11, 1903, certified to this Department for payment 6,748 judgments duly rendered in pursuance of said act of the legislative assembly, aggregating $1,473,173. Of this amount, the Territory had already paid 10 per cent from its own funds, leaving unpaid the sum of $1,325,855.70. The amount appropriated by Congress being equivalent to 75.422989 per cent of the unpaid balance, payment upon this basis was begun on behalf of the United States through the First National Bank at Honolulu on May 23, 1903. The number of judgments paid to the close of October 24, 1903, was 6,634, amounting to $906,402.66. Those yet to be paid number 114, and amount to $93,597.34, of which 45, amounting to $69,415.11, are subject to the interests of others, and are not payable until the rights of the parties in interest are determined by the courts. The judgments not subject to contest, and which are payable whenever certificates of judgments are presented, number 69, and amount to $24,182.23.

SEPARATED BUREAUS AND OFFICES.

By the act of February 14, 1903, various bureaus, divisions, and branches of the public service formerly under the jurisdiction of the Treasury Department were transferred to the new Department of Commerce and Labor. The transferred branches include the Light-House

Board, the Steamboat-Inspection Service, the Bureau of Navigation, the National Bureau of Standards, the Coast and Geodetic Survey, the Bureau of Immigration, and the Bureau of Statistics. The same act also transferred and vested in the Department of Commerce and Labor all the jurisdiction, supervision, and control formerly exercised by this Department over the seal, salmon, and other fisheries of Alaska and over the exclusion from the United States of the Chinese. As these transfers did not take effect until the close of the last fiscal year, the summarized reports of the various transferred bureaus and branches of the service, in so far as they relate to the operations of the past year, are herewith presented, leaving, however, the Department of Commerce and Labor, in which their control is now vested, to make all recommendations relating to their future administration.

IMMIGRATION.

The annual report of the Commissioner-General of Immigration shows that there arrived in this country during the fiscal year ended June 30, 1903, 857,046 aliens, traveling in the steerage, an excess over the corresponding figures for the preceding year of 208,303, or 32 per cent. Of these, 804,456 arrived at United States continental ports, 16,670 at insular ports, either Hawaii or Porto Rico, and 35,920 at Canadian ports.

Of the total steerage immigration, 814,507 were Europeans and 29,966 Asiatics, while 12,573 came from all other sources.

In addition to the steerage aliens, there arrived 64,269 cabin passengers, making an aggregate immigration of 921,315, or 105,043 in excess of the greatest number heretofore reported for any year.

The ratio of increase of aliens from countries of northern and western Europe, as compared with arrivals from the same countries for the preceding year, was about 47 per cent, while from the countries of eastern and southern Europe it was only about 27 per cent. In spite of the more rapid increase from northern and western Europe, the great bulk of European aliens, numbering 572,726, came from the three countries of Austria-Hungary, Italy, and Russia.

Of the steerage aliens, 613,146 were males and 243,900 females; 102,431 were less than 14 years of age; 714,053, from 14 to 45, while 40,562 were 45 years or over; 668,038 were able to read and write, 3,341 could read but not write, and the remainder, 185,667, could neither read nor write; 76,702 had been previously in the United States; 128,266 brought $30 each or over, while 511,302 had each less than $30. The total amount of money shown to officers by immigrants was $16,117,513.

The comparative thrift of these aliens may be gathered from the fact that 71,782 Germans brought a total of $2,480,634, while 196,117

South Italians had but $2,159,017; 28,451 English brought $1,405,365, 27,124 Magyars showed only $341,401, and 32,907 Croatians and Slavonians but $407,117.

Eight thousand seven hundred and sixty-nine immigrants were denied admission at the ports for the following reasons: Idiocy, 1; insanity, 23; pauperism, 5,812; communicable diseases, 1,773; convicts, 51; polygamists, 1; immoral women, 13; assisted aliens, 9, and contract laborers, 1,086, the largest number of contract laborers excluded in any one year up to the present time. The rejections for the same causes during the preceding year were 4,974.

There were returned during the year for causes arising subsequent to landing 547, compared with 465 in 1902, while 6,394 were cared for in hospitals, against 4,217 during the preceding year.

Of the total steerage immigration, 233,546 were Italians, 82,343 were Poles, 79,347 Scandinavians, 76,203 Hebrews, 71,782 Germans, 35,366 Irish, 34,427 Slovak, 32,907 Crotian-Slovenian, 28,451 English, 27,124 Magyars, and 155,550 of other nationalities.

There were 35,920 immigrants admitted through Canadian ports, an increase of 6,721 over the preceding year.

The system of inspection performed under agreement with the transportation companies on Canadian soil continues to be very effective, 1,439 aliens afflicted with communicable diseases having been thus excluded, as compared with 1,773 for all seaports.

The balance on hand in the immigrant fund on June 30, 1902, was $686,282.21. The receipts during the year ended June 30, 1903, were $1,416,515.14. The expenditures in the enforcement of the laws were $826,314.66, leaving an unexpended balance on hand of $1,276,482.69.

CHINESE EXCLUSION.

An agreement has been entered into with the Canadian Pacific Railroad Company by which it delivers all Chinese persons brought through Canada over its lines directly to United States inspection officers and takes back to China such as are adjudged by them to be inadmissible.

There were arrested along the Canadian border, east of Ohio, for unlawful entrance into the United States, 818 Chinamen, 485 of whom were discharged and 333 deported. On the Canadian border, west of New York, 325 were arrested, of whom 105 were discharged and 220 deported. At other points, 277 were arrested, 126 of whom were discharged and 151 deported.

During the year, 1,995 registered laborers departed from the United States and 1,459 returned; 1,759 Chinese exempt from the exclusion policy under the treaty applied for admission, of whom 1,523 were admitted and 236 were rejected.

There was expended for the deportation of 535 Chinese persons unlawfully entering the United States over the Canadian border $64,965.71; for the deportation of 138 Chinese persons unlawfully in the United States, principally by entering over the Mexican border, $15,409.74.

ALASKA.

Seal fisheries.

A preliminary report from the agent in charge of the seal fisheries of Alaska shows that 19,292 sealskins were taken on the Pribilof Islands during the season of 1903. In 1900 the number of seals taken on the islands was 22,470; in 1901, 22,672, and in 1902, 22,386 (82 of this number were receipted for in 1903). These figures warranted the hope that the diminution in seal life had ceased, but the result of this year's catch seems to prove the contrary. This result is attributable to pelagic sealing, which spares neither sex, while on the islands only the surplus male seals are taken.

On November 17, 1902, there was paid by the North American Commercial Company, lessee of the sealing privilege, and turned into the Treasury, the sum of $57,236.55, the amount of tax, bonus, and rental, with interest, on 4,158 sealskins taken by the native inhabitants of the Pribilof Islands in the winter of 1889–1890, and subsequently the subject of controversy between that company and the former lessee, the Alaska Commercial Company.

Salmon fisheries.

A preliminary report from the agent for the protection of the salmon fisheries of Alaska states that the estimated pack of salmon taken in the waters of that Territory during the current year will amount to 2,400,000 cases, or 231,000 less than the catch of 1902. The salmon pack of the world for the current year is estimated at 3,400,000 cases, or 866,000 cases less than was taken in 1902.

LIGHT-HOUSE ESTABLISHMENT.

At the close of the year there were under the control of the Light-House Establishment the following-named aids to navigation:

Light-houses and beacon lights	1,407
Light-vessels in position	45
Light-vessels for relief	8
Electric-lighted buoys in position	11
Gas-lighted buoys in position	119
Fog signals operated by steam, caloric, or oil engines	188
Fog signals operated by machinery	233
Post lights	1,852
Day or unlighted beacons	546
Whistling buoys in position	88
Bell buoys in position	124
Other buoys in position, including pile buoys and stakes in Fifth district and buoys in Alaskan waters	5,048

In the construction, care, and maintenance of these aids to navigation, there were employed 39 steam tenders, 7 steam launches, 2 sailing tenders, 1,538 light-keepers, 1,199 officers and crews of light-vessels and tenders, and 1,413 laborers in charge of post lights.

During the half century the Light-House Establishment has remained under the Treasury Department it has increased in size nearly five times. In 1853 there were 325 light-houses and lighted beacons; in 1903 there are 1,407 light-houses and lighted beacons. In 1859 there were 1,097 persons employed in the Light-House Service; in 1902 there were 8,145 persons so employed. The system of lighting rivers, unknown in 1857, now comprises 1,852 inexpensive post lights, which have revolutionized river commerce, enabling river steamboats to run as readily by night as by day. In 1852, while there were clumsy and costly bell boats, there were no bell buoys; there are now 164 bell buoys in position. Half a century ago there were no whistling buoys or lighted buoys. There are now in use 88 of the former and 119 of the latter. There are now 233 fog-signals operated by clock-work and 188 operated by steam or caloric, of kinds and excellence unknown in the early days and now unexcelled elsewhere. The illuminant now used in light-vessels and light-houses is an inexpensive mineral oil, especially adapted to the purpose, instead of the costly whale oil used in 1852.

The $200,000 appropriated by the act approved on March 3, 1903, for continuing the establishment of light-houses and fog signals in Alaskan waters has been practically expended, and with good results, in the establishment of permanent aids to navigation at important points for general commerce.

COAST AND GEODETIC SURVEY.

The amount appropriated for the Coast and Geodetic Survey for the fiscal year 1903 was $828,525, of which $210,245 was for manning and equipping the vessels of the Survey, $29,600 for repairs and maintenance of vessels, and $40,000 for office expenses. The remainder of the appropriation was about equally divided between expenses of parties in the field and salaries of the field and office forces.

Hydrographic surveys were made in 9 States and Territories; topographic surveys in 9; triangulation in 18, and leveling in 7. The field work necessary for the revision of two volumes of the United States Coast Pilot covering the coast from St. Croix River, Me., to Point Judith, R. I., was completed. In Alaska, surveys were continued in Icy Straits and Prince William Sound, and the geographic positions of points on St. Lawrence and Nunivak Islands were determined. In Porto Rico, hydrographic work was continued in the harbors and bays, and offshore.

The director of coast surveys in the Philippine Islands, an officer of the Coast and Geodetic Survey (with a detail of assistants), in cooperation with the insular government, has continued the important work of charting the imperfectly known waters of the archipelago. The largest vessel belonging to the Survey has also been on this duty throughout the year. Detached surveys, based upon astronomic determinations, and including base measure, triangulation, topography, hydrography, and tide observations, have been made at various points, and many additional telegraphic longitudes have been determined. Magnetic observations were continued. Sixteen new charts were issued by the Manila office during the year, and five volumes of sailing directions.

Good progress was made in the general magnetic survey. Observations were made at about 428 stations in 31 States and Territories, including Alaska, Porto Rico, Hawaii, and the Philippine Islands, and also in Canada, Cuba, and Santo Domingo. Magnetic observations were made at sea while the Survey vessels were en route between New York, Porto Rico, and Key West.

Magnetic observatories were maintained at Cheltenham, Md., at Baldwin, Kans., at Sitka, Alaska, and at Honolulu, Hawaii, and a magnetic observatory was established on Vieques Island, Porto Rico. A continuous record of the changes in the earth's magnetism has been obtained at these observatories. Special observations were made at the observatories during the year on the first and fifteenth of each month at the formal request of the German Government, in order to cooperate with foreign observatories in international magnetic work during the time of the antartic expeditions which were sent out from Germany and Great Britain.

Continuous tide observations with self-registering gauges were maintained at eight stations, including one station in Hawaii and one in the Philippine Islands.

The Superintendent was appointed a member of the commission created to re-mark the boundary line between the United States and Canada from the Rocky Mountains westward, and two officers were detailed for work in the field. Two officers were detailed to assist in the preparation of the United States case for presentation to the Alaska Boundary Commission. The Superintendent also aided in this work personally. One officer continued on duty as a member of the Mississippi River Commission. The two officers appointed by the United States Supreme Court as members of a commission created by the court to re-trace and mark the boundary line between the States of Virginia and Tennessee completed that duty and joined in making a final report which settled a controversy a century old.

NAVIGATION.

On June 30, 1903, the merchant marine of the United States, including all kinds of documented shipping, comprised 24,425 vessels, of 6,087,345 gross tons. On June 30, 1902, it comprised 24,273 vessels, of 5,797,902 gross tons. The following table shows the geographical distribution, motive power, and material of construction, and trade of vessels of the United States for the fiscal year 1903, compared with the fiscal year 1902, and also the construction for the two years:

COMPARISON OF 1902 AND 1903.

	1902.		1903.	
	Number.	Gross tonnage.	Number.	Gross tonnage.
GEOGRAPHICAL DISTRIBUTION.				
Atlantic and Gulf coasts	17,040	2,978,876	17,218	3,149,711
Porto Rico	42	6,180	59	7,662
Pacific coast	2,492	741,825	2,575	775,859
Hawaii	61	32,386	69	36,320
Northern lakes	3,172	1,816,511	3,110	1,902,698
Western rivers	1,466	222,124	1,394	215,095
Total	24,273	5,797,902	24,425	6,087,345
POWER AND MATERIAL.				
Sail: (*a*)				
Wood	16,367	2,347,977	16,187	2,391,017
Iron and steel	179	273,051	184	288,240
Total	16,546	2,621,028	16,371	2,679,257
Steam:				
Wood	6,443	1,270,046	6,675	1,256,081
Iron and steel	1,284	1,906,828	1,379	2,152,007
Total	7,727	3,176,874	8,054	3,408,088
Canal boats	703	79,408	695	78,406
Barges	2,770	599,742	2,840	634,927
Total	3,473	679,150	3,535	713,333
TRADE.				
Registered:				
Steam, iron and steel	155	398,135	156	464,232
Steam, wood	186	60,630	201	63,178
Sail, wood and iron and steel (*a*)	885	423,790	813	361,366
Total	1,226	882,555	1,170	888,776
Enrolled and licensed:				
Steam, iron and steel	1,129	1,508,693	1,223	1,687,775
Steam, wood	6,257	1,209,356	6,474	1,192,993
Sail, wood and iron and steel (*a*)	15,661	2,197,298	15,558	2,317,891
Total	23,047	4,915,347	23,255	5,198,569
CONSTRUCTION.				
Geographical distribution.				
Atlantic and Gulf coasts	*b* 973	237,063	*c* 847	244,860
Pacific coast	*d* 224	53,059	*e* 191	43,336
Northern lakes	133	168,873	123	136,844
Western rivers	161	9,836	150	11,112
Total	1,491	468,831	1,311	436,152

(*a*) Including canal boats and barges.
(*b*) Including 3 vessels of 72 tons, Porto Rican.
(*c*) Including 10 vessels of 112 tons, Porto Rican.
(*d*) Including 1 vessel of 44 tons, Hawaiian.
(*e*) Including 4 vessels of 41 tons, Hawaiian.

COMPARISON OF 1902 AND 1903—Continued.

	1902.		1903.	
	Number.	Gross tonnage.	Number.	Gross tonnage.
Power and material.				
Sail:				
Wood	578	89,292	466	77,795
Steel	3	8,406	4	12,184
Total	581	97,698	470	89,979
Steam:				
Wood	477	37,246	451	31,674
Iron and steel	102	270,932	100	240,107
Total	579	308,178	551	271,781
Canal boats	44	4,539	19	2,215
Barges:				
Wood	285	57,392	267	66,249
Steel	2	1,024	4	5,928
Total	287	58,416	271	72,177
Grand total	1,491	468,831	1,311	436,152

For the first time in our history the documented shipping of the United States on June 30, 1903, exceeded 6,000,000 gross tons. The amount of tonnage registered for foreign trade for several years has been almost unchanged. By the substitution of steamers for sail vessels the percentage of our exports and imports carried by American vessels increased last fiscal year to 9.1 per cent.

Tonnage-tax collections reported to the Bureau of Navigation amounted to $885,841.33, compared with $868,783.91 for the previous year.

Last fiscal year 197,918 seamen were shipped, reshipped, and discharged before shipping commissioners established at 21 principal seaports, at a cost of $60,938.79. The shipping commissioner's office at Mobile, Ala., has been discontinued, and the duties of that office transferred to the collector of customs.

STEAMBOAT-INSPECTION SERVICE.

The expenses of this Service during the fiscal year ended June 30, 1903, were, for salaries, $305,926.70, an increase over the previous year of $2,130.09; for contingent expenses, $63,817.10, an increase of $7,557.85.

The number of vessels inspected and certificated was 9,326, with a total tonnage of 5,536,803, an increase over the previous year of 65 in number of vessels and 243,277 in tonnage. Of the vessels inspected and certificated, there were 360 foreign passenger steamers of 1,666,654 gross tons; 8,296 domestic steamers, of 3,259,121 gross tons; 153 motor vessels, of 6,850 gross tons, and 517 sail vessels and barges, of 604,178 gross tons.

There were licensed during the fiscal year 20,062 officers of all grades, a decrease from the previous year of 46. One thousand eight hundred and sixty-six applicants were examined for color blindness, of which number 63 were rejected.

There were inspected at various mills 6,105 plates of steel for construction of marine boilers, of which 765 were rejected for various defects.

The total number of accidents of all kinds resulting in loss of life during the fiscal year was 49. Of this small number, only 4 were caused by boiler explosions. The total loss of life by accidents from various causes for the year was 292, a decrease from the previous year of 153. Of the 292 fatalities recorded, 145 were from accidental drowning.

FOREIGN COMMERCE.

The foreign commerce of the year was the largest in the history of the country. The total imports were valued at $1,025,719,237, and the total exports at $1,420,141,679. This makes the grand total of the year's commerce $2,445,860,916, against $1,714,066,116 in 1893, $1,547,020,316 in 1883, and $1,164,616,132 in 1873. Thus the increase in the past decade has been more than that of the two immediately preceding decades combined.

The imports of the year exceeded by more than a hundred millions those of any preceding year, and for the first time passed the billion-dollar line. The exports were larger than in any preceding year, with the single exception of the record year 1901, and, despite the extraordinary demands of the home market, fell but $67,623,312 below those of that year. The large imports were chiefly due to the great demands of the manufacturers for material for use in their workshops, and in part to the general prosperity which led to an increase in the importation of manufactures and luxuries. The value of the raw material imported for manufacturing was $375,150,947, an increase of $47,494,550 over last year, and the value of the partly manufactured materials for use in manufacturing was $114,320,720, an increase of $23,202,726 over last year, making the total of manufacturers' material imported $489,471,667, an increase of $70,697,276 over last year and of $164,005,775 over that of 1893. The increase in importations of raw material occurred in practically all classes, while that of partly manufactured material was chiefly in iron and steel for use in manufacturing, despite the fact that the home production of iron and steel last year was the largest in the history of the country. The condition of general prosperity which led to an increase in other classes of imports is indicated by the fact that the importation of diamonds alone amounted to $26,507,786, against $18,887,523 in 1902.

Of the total exports, amounting to $1,420,141,679, those of domestic production amounted to $1,392,231,302. Products of agriculture exported amounted to $873,322,882, and were larger in value than in any preceding year except 1901. The total value of the manufactures exported was $407,526,159, an increase of $3,884,758 over last year, despite the exceptional demand of the home market.

The commerce with the noncontiguous territory of the United States showed a gratifying increase during the year. The value of the merchandise brought into the country during the year from the islands which have recently come under the American flag was: Porto Rico, $11,051,195; Philippines, $11,372,584; Hawaii, $26,242,869—a total of $48,666,648, against $20,252,563 in 1897. The shipments of merchandise to those islands during the year were: Philippines, $4,038,909; Hawaii, $10,840,472; Porto Rico, $12,246,225—a total of $27,125,606, against $6,773,560 in 1897. The value of merchandise received from Alaska was $10,228,069, and of the merchandise sent to that Territory, $9,497,721, making the total commerce with our noncontiguous territory $95,518,044 during the year. If to this were added the gold ore of domestic production received from Alaska, $4,719,579, the total would exceed $100,000,000.

The following table presents in concise form the record of the foreign commerce of the country in 1903, compared with preceding years:

ANALYSIS OF THE COMMERCE OF 1903, COMPARED WITH PRECEDING YEARS.

	Year ending June 30—				Increase in 1903 over 1902.
	1900.	1901.	1902.	1903.	
Imports:					
Merchandise—					
Free	$307,236,866	$339,608,669	$396,818,871	$426,180,979	$29,362,108
Dutiable	482,704,318	483,563,496	506,502,077	599,538,258	93,036,181
Total	789,941,184	823,172,165	903,320,948	1,025,719,237	122,398,289
Per cent dutiable	56.79	58.74	56.07	58.45	2.38
Gold	44,573,184	66,051,187	52,021,254	44,982,027	*a* 7,039,227
Silver	35,256,302	36,386,521	28,232,254	24,163,491	*a* 4,068,763
Exports:					
Merchandise—					
Domestic	1,370,763,571	1,460,462,806	1,355,481,861	1,392,231,302	36,749,441
Foreign	23,719,511	27,302,185	26,237,540	27,910,377	1,672,837
Total	1,394,483,082	1,487,764,991	1,381,719,401	1,420,141,679	38,422,278
Excess of exports over imports (merchandise only)	544,541,898	664,592,826	478,398,453	394,422,442	*a* 83,976,011
Gold	48,290,759	54,185,177	48,568,950	47,090,595	*a* 1,478,355
Silver	56,742,275	64,285,189	49,732,330	44,250,259	*a* 5,482,131
Imports for consumption	830,579,252	807,763,301	899,793,754	1,007,960,110	108,166,356
Duties collected	229,360,771	233,556,110	251,453,155	280,752,416	29,299,261
Ad valorem duties—					
On dutiable, per cent	49.24	49.64	49.78	49.03	*a* .75
On free and dutiable ..... per cent	27.62	28.91	27.95	27.85	*a* .10
Tonnage:					
Entered in the foreign trade.....tons	28,163,005	29,768,021	30,654,432	31,093,663	439,231
Cleared in the foreign trade.....tons	28,281,141	29,819,893	30,444,082	31,316,168	872,086

a Decrease.

NATIONAL BUREAU OF STANDARDS.

Pending completion of its two new buildings, the work of this Bureau has been carried on in temporary quarters in the Coast Survey and Butler buildings, and at 235 New Jersey avenue SE. The new mechanical laboratory will be occupied in a few months, and the construction of the physical laboratory, begun in March, is well under way.

Preliminary work necessary in the most important lines of testing is well advanced. The demands made upon the Bureau, however, have been far in excess of its ability to meet. Requests have been made by Government bureaus, manufacturers, and scientists for information concerning standards, methods of construction and measurement, and physical constants, as well as for the comparison of their standards with those adopted by the Government. The verification of standard bars and gauges for use in manufacturing fine machinery was begun during the year. A bench standard for testing surveyors' and engineers' steel tapes was designed for the State of Massachusetts, for the city of Chicago, and for manufacturers of steel tapes. A set of model weights for State and city inspectors is being designed. The State laws concerning weights and measures have been compiled for early publication.

The testing of clinical thermometers was begun during the year. Manufacturers submitted standard thermometers for verification, and the corrections furnished, after careful study, resulted in a marked improvement in the accuracy of the readings of the clinical thermometers manufactured. Manufacturers have cheerfully cooperated with the Bureau in this matter. The Bureau is now prepared to test thermocouples up to 1500° C. (2700° F.), and the important work of testing pyrometers will soon be begun.

Plans for the construction of primary mercurial resistance standards and of standard cells have been developed and materials procured for their construction. Facilities are now provided for testing electrical measuring instruments as well as resistance standards, inductances, capacities, and condensers.

A photometric laboratory has been equipped for the testing of standards of illumination, and a comparison of the standards used by manufacturers of incandescent electric lamps has been undertaken.

International metric system.

During the year the attention of this Department has been forcibly called to the growing need for international uniformity in so fundamental a necessity to trade as weights and measures. The Customs

Congress of American Republics, held at New York, strongly urged the adoption of the metric system to simplify the transaction of Government business in connection with international trade. Moreover, the National Board of Trade of the United States, the Board of Trade of Canada, and the Congress of Chambers of Commerce of the British Empire have recently urged by strong resolutions the adoption of the metric system. The experience of 40 countries of the world has proved beyond question that the international metric system is unsurpassed for practical convenience, possessing as it does a terminology concise, definite, and free from ambignity, affording a maximum facility in the countless transactions and computations of science, manufacture, and commerce.

OUR MONETARY SYSTEM.

Our currency system has been subjected during the year to some very severe tests. Unprecedented prosperity encouraged the natural optimism of our people to such an extent that property of all kinds found ready and eager buyers at figures phenomenally high. A condition, therefore, existed which of necessity could not last. Within a year the market value of stocks and bonds, the proper and legitimate holdings of the people, has depreciated in an amount estimated far in excess of the cost of four years' devastating civil war. Yet notwithstanding this enormous and inconceivable shrinkage, it has not affected in noticeable degree other classes of property. Banking institutions have exhibited no suggestion of weakness, few business failures have occurred, there has been but a slight curtailment in commercial enterprises, very little apparent hardship, and absolutely no fear of any depreciation in any form of currency. To all appearances the crisis is passed. There now exists scant reason for apprehension—certainly no occasion for alarm.

By the provisions of a very wise act of Congress approved March 14, 1900, it was made the duty of the Secretary of the Treasury to redeem United States notes and Treasury notes in gold on demand, and to maintain all forms of money issued or coined by the Government at a parity of value. Evidently the people have understood, as they are justified in doing, that this statute authorizes the redemption of silver and silver certificates in gold whenever necessary for the maintenance of parity. Nothing short of this assurance would have carried us through the period to which I have referred.

One well-recognized weakness, however, has been strongly emphasized—our currency system is nonelastic. It does not respond to the varying needs of seasons, or of localities, or of changing conditions

of business. This admitted defect should be remedied. But in remedying it no measure should be considered that will in anywise weaken that which is now stable, and no element should be injected that will cause distrust or doubt. Fortunately, at the present time no recipient of any of our several forms of money stops to examine its character. It is all known to be as good as gold, for the credit of the Government is pledged to maintain its parity with gold. No act should be passed authorizing the issuance of anything less safe and secure.

National-bank circulation.

During the fiscal year ended June 30, 1903, national-bank circulation increased, in round numbers, 57 millions, only 12 millions of which was due to new organizations. Manifestly this rate of increase can not be continued unless additional United States bonds are provided, or some other plan is devised.

In my last annual report I called attention to the fact that the act of June 28, 1902, which authorized the Secretary of the Treasury to borrow 130 millions for the construction of the proposed Isthmian Canal, does not permit the use of these bonds as security for national-bank circulation at a less rate of taxation than 1 per cent per annum. I repeat my recommendation then made that these proposed bonds be made available as the basis of circulation on the same terms as the consols authorized by act of March 14, 1900.

Subsidiary coinage.

There is now available for coinage into subsidiary coin less than 5,000,000 ounces of silver. This will be exhausted approximately at the close of the current fiscal year. Authority should be given to recoin existing silver dollars into subsidiary coin, or to purchase additional silver with which to supply the ever-increasing needs of the country. The present volume of silver stored in the vaults of the Treasury is equivalent to nearly 500 carloads of 30 tons each. It would cost $100,000 to recount it. This enormous amount is worth in bullion less than half of its coinage value, but it is all redeemable, at the discretion of the Secretary of the Treasury, in gold. Manifestly it must always be stored or other uses provided. Whether it be wiser to continue this burden and purchase additional bullion for subsidiary coinage, or to authorize the conversion of a portion of these dollars into more available forms of money, is for the Congress to determine. In any event, some provision should be made for an increase of subsidiary coin.

Bank notes of small denominations.

There is also a scarcity of paper currency of small denominations. That this demand may be supplied, I recommend that national banks be permitted to issue a larger proportion of their authorized circulation in denominations of five dollars.

OTHER RECOMMENDATIONS.

I desire to emphasize the following recommendations, the reasons for which are more fully set forth in the preceding pages or in my last annual report:

The mint at New Orleans is both inconvenient and expensive. It should, in my judgment, be reduced to an assay office.

The assay office at New York is inconvenient in construction, inadequate in size, unfortunately located, and should be sold and a new one built. Fortunately, the present site can be sold for enough to buy one more eligible, erect a suitable building thereon, and have a respectable balance left to cover into the Treasury.

The tax on national-bank circulation, based upon bonds hereafter issued, should be fixed at one-half of 1 per cent per annum.

Many customs districts should be abolished and others consolidated.

No little criticism of the Customs Service has arisen from fictitious and exorbitant charges, as well as other acts of misconduct of those engaged in representing importers before the Department. Some of the worst frauds upon the revenues of the Government have been accomplished through the same agencies. The arguments which have led all States to place limitations upon those who seek to practice law or medicine will apply with equal force in support of the recommendation that customs brokers be required to register with the Department, and pay therefor a nominal fee, such registration to be subject to cancellation for cause by the Secretary of the Treasury.

The installation of a comprehensive pneumatic tube system between the Treasury Department and its widely scattered branches and bureaus, and the several Departments whose accounts are audited in the Treasury Department, would be a very profitable investment.

Agreeably to an act of Congress approved March 3, 1903, title to square 143, in the city of Washington, will very soon be perfected as a site for a hall of records. Many of the corridors of the Treasury are now filled with boxes and cumbersome file cases awaiting the construction of such a building. In addition, this Department has several rented buildings filled to overflowing. Other Departments are equally congested. Relief from this condition is urgently needed.

I earnestly recommend the construction of several very fast revenue cutters, small enough to be used for boarding and swift enough to overtake and arrest smuggling vessels now engaged in transferring goods from tramp ships at anchor to private docks. Such vessels are much needed in the Puget Sound district and at some points on the Great Lakes.

Appropriations for secret-service work should be liberally increased.

LESLIE M. SHAW,
Secretary.

To the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

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PAPERS

ACCOMPANYING

REPORT OF THE SECRETARY OF THE TREASURY.

REPORT OF THE TREASURER.

TREASURY DEPARTMENT,
OFFICE OF THE TREASURER,
Washington, October 12, 1903.

SIR: The transactions of the Treasury during the past fiscal year and its condition June 30, 1903, are presented in the annexed tables:

REVENUES AND EXPENDITURES FOR 1902 AND 1903.

Account.	1902.	1903.	Increase.	Decrease.
REVENUES.				
Customs	$254,444,708.19	$284,479,581.81	$30,034,873.62	
Internal revenue	271,880,122.10	230,810,124.17		$41,069,997.93
Lands	4,144,122.78	8,926,311.22	4,782,188.44	
Miscellaneous	32,009,280.14	36,180,657.20	4,171,377.06	
Total	562,478,233.21	560,396,674.40	38,988,439.12	41,069,997.93
Net				2,081,558.81
EXPENDITURES.				
Commerce and labor		34,473.84	34,473.84	
Customs	28,012,620.16	28,637,769.65	625,149.49	
Internal revenue	8,536,348.58	10,603,813.60	2,067,465.02	
Interior civil	13,328,329.16	13,069,054.02		259,275.14
Treasury proper	54,808,006.95	62,410,921.48	7,602,914.53	
Diplomatic	2,765,734.01	3,204,522.01	438,788.00	
Judiciary	6,018,285.05	6,983,735.14	965,450.09	
War Department	112,272,216.08	118,619,520.15	6,347,304.07	
Navy Department	67,803,128.24	82,618,034.18	14,814,905.94	
Indians	10,049,584.86	12,935,168.08	2,885,583.22	
Pensions	138,488,559.73	138,425,646.07		62,913.66
Interest	29,108,044.82	28,556,348.82		551,696.00
Total	471,190,857.64	506,099,007.04	35,782,034.20	873,884.80
Net			34,908,149.40	
Surplus	91,287,375.57	54,297,667.36		36,989,708.21

In customs an increase over the preceding year took place of $30,034,873.62; in receipts from lands of $4,782,188.44, and from miscellaneous sources of $4,171,377.06. The internal revenue responding to legislation for that purpose was reduced by $41,069,997.93. The result is a net decrease in the revenues of $2,081,558.81. On the other hand, as compared with the fiscal year 1902, the expenditures increased $34,908,149.40. Of this sum the War Department laid out $6,347,304.07, and the Treasury proper, $7,602,914.53. Increase appears also in every item other than interior civil, pensions, and interest. Commerce and Labor spent $34,473.84. Customs cost $625,149.49 more; internal revenue $2,067,465.02 more; diplomatic

service $438,788 more; Judiciary $965,450.09 more; the Navy Department $14,814,905.94 more; and Indians $2,885,583.22 more than in the twelve months before. For interior civil the outlay was $259,275.14 less; for pensions $62,913.66 less; and interest $551,696 less than for 1902. The balance between the two years presents an excess of expenditures of $34,908,149.40, a reduction in surplus of $36,989,708.21. This leaves the surplus for 1903, $54,297,667.36.

The only month in the past fiscal year in which a deficiency was created was July, 1902, and it amounted to $7,507,876.49. The month in which the surplus was largest was June, 1903, when it was $13,764,316.23.

TRANSACTIONS IN THE PUBLIC DEBT.

By the subjoined table it will be seen that the transactions were greater by $149,867,570.50 in receipts and $121,248,746.50 in disbursements in 1903 than in the preceding year. The increase in receipts covers every item except the fund for national bank notes, and in disbursements all except fractional currency and Treasury notes of 1890, both in process of withdrawal. The increase in bonds is due to exchange of loan of 1908–1918 and the loan of 1907 for the consols of 1930. From the latter transactions is derived the premium on those securities. The aggregate disbursements show an increase of $118,112,475.18 over the preceding twelve months. The item of bonds is magnified by the purchases for the sinking fund, as well as by the exchange.

Account.	1902.	1903.	Increase.	Decrease.
RECEIPTS.				
United States bonds	$2,370.00	$74,204,450.00	$74,202,080.00	
United States notes	101,520,000.00	109,600,000.00	8,080,000.00	
National-bank notes	32,735,434.50	24,270,925.00		$8,464,509.50
Gold certificates	129,880,000.00	168,430,000.00	38,550,000.00	
Silver certificates	235,508,000.00	273,008,000.00	37,500,000.00	
Total	499,645,804.50	649,513,375.00	158,332,080.00	8,464,509.50
Net			149,867,570.50	
Premium on consols of 1930		1,484,048.00		
Aggregate		650,997,423.00		
DISBURSEMENTS.				
United States bonds	56,220,830.00	90,809,150.00	34,588,320.00	
Fractional currency	3,088.00	2,083.00		1,005.00
United States notes	101,520,000.00	109,600,000.00	8,080,000.00	
Treasury notes of 1890	17,783,000.00	10,757,000.00		7,026,000.00
National-bank notes	20,085,274.50	26,272,086.00	6,186,811.50	
Gold certificates	72,255,600.00	105,902,220.00	33,646,620.00	
Silver certificates	216,525,000.00	262,299,000.00	45,774,000.00	
Total	484,392,792.50	605,641,539.00	128,275,751.50	7,027,005.00
Net			121,248,746.50	
Excess of receipts	15,253,012.00	43,872,836.00	28,618,824.00	
Premium on bonds purchased	14,043,391.14	6,202,047.92		
Premium on bonds exchanged		4,705,071.90		
Aggregate	498,436,183.64	616,548,658.82	118,112,475.18	

ORDINARY AND DEBT TRANSACTIONS COMBINED.

From the two foregoing tables, brought together, there is exhibited a net increase in receipts of $149,270,059.69, and an increase in disbursements of $153,020,624.58. On the total there is an excess of expenditures of $3,750,564.89.

Account.	1902.	1903.	Increase.	Decrease.
RECEIPTS.				
Ordinary	$562,478,223.21	$560,396,674.40		$2,081,558.81
Debt	499,645,804.50	650,997,423.00	$151,351,618.50	
Total	1,062,124,037.71	1,211,394,097.40	151,351,618.50	2,081,558.81
Net			149,270,059.69	
DISBURSEMENTS.				
Ordinary	471,190,857.64	506,099,007.04	34,908,149.40	
Debt	498,436,183.64	616,548,658.82	118,112,475.18	
Total	969,627,041.28	1,122,647,665.86	153,020,624.58	
Excess of receipts	92,496,996.43	88,747,431.54		
Excess of expenditures				3,750,564.89

FIRST QUARTERS OF 1903 AND 1904.

For the first quarter of the fiscal year the figures set forth the following comparison (the figures for 1904 are preliminary):

Account.	1903.	1904.	Increase.	Decrease.
REVENUES.				
Customs	$78,495,559.88	$71,903,296.32		$6,592,263.56
Internal revenue	59,826,852.99	60,447,458.87	$620,605.88	
Public lands	2,117,833.07	2,209,794.15	91,961.08	
Miscellaneous	8,276,530.68	8,873,523.04	596,992.36	
Total	148,716,776.62	143,434,072.38	1,309,559.32	6,592,263.56
EXPENDITURES.				
Civil and miscellaneous	31,085,086.95	33,421,514.96	2,336,428.01	
War	35,676,811.24	34,742,518.75		934,292.49
Navy	20,706,338.33	23,664,221.66	2,957,883.33	
Interior—Indians	3,597,451.48	2,873,024.96		724,426.52
Interior—pensions	36,324,131.09	37,670,650.61	1,346,519.52	
Interest on the public debt	10,031,185.28	5,471,766.34		4,559,418.94
Total	137,421,004.37	137,843,697.28	6,640,830.86	6,218,137.95

For these months, in the revenues an increase is shown in all items except customs. The decrease there creates a net falling off of $5,282,704.24. In the disbursements for the quarter, a decrease appears in war, in Indians, and in interest on the public debt, the latter amounting to $4,559,418.94. An advance is reported in the outlay for civil and miscellaneous, for Navy, and for pensions. On the whole, the expenditures for the first three months of 1904 exceed those for the same months in 1903 by $422,692.91. For these reasons, the surplus for the recent quarter is $5,705,397.15 less than for the like period the year before.

THE RESERVE AND TRUST FUNDS.

The reserve fund has been kept always fixed by the exchange for gold every day of the United States notes and Treasury notes redeemed in gold. These transactions were in United States notes $7,154,718, being $10,327,872 less than for the twelve months before, and in Treasury notes $1,112,527, a reduction of $162,063.

At the end of the fiscal year, from the revised figures, the respective funds were:

RESERVE FUND.

Gold coin and bullion in division of redemption	$150,000,000

TRUST FUNDS.

[Held for the redemption of the notes and certificates for which they are respectively pledged.]

DIVISION OF REDEMPTION.		DIVISION OF ISSUE.	
Gold coin	$409,119,869	Gold certificates outstanding	$409,119,869
Silver dollars	464,706,000	Silver certificates outstanding	464,706,000
Silver dollars of 1890	3,406,443	Treasury notes outstanding	19,243,000
Silver bullion of 1890	15,836,557		
Total	893,068,869	Total	893,068,869

On October 1, 1903, the reserve and trust funds became:

RESERVE FUND.

Gold coin and bullion in division of redemption	$150,000,000

TRUST FUNDS.

[Held for the redemption of the notes and certificates for which they are respectively pledged.]

DIVISION OF REDEMPTION.		DIVISION OF ISSUE.	
Gold coin	$420,487,869	Gold certificates outstanding	$420,487,869
Silver dollars	464,715,000	Silver certificates outstanding	464,715,000
Silver dollars of 1890	2,515,041	Treasury notes outstanding	17,498,000
Silver bullion of 1890	14,982,959		
Total	902,700,869	Total	902,700,869

GENERAL FUND—CASH IN THE VAULTS.

During the fiscal year 1903 the changes in gold and in certificates representing it in the vaults nearly offset each. The metal increased by $8,712,709.46, while the certificates were less by $8,351,770. The variation in the holding of silver dollars is a reduction of $87,865. That in Treasury notes is $30,872. A gain of $2,533,649 appears in silver certificates, while there is a falling off of $1,026,593.57 in silver bullion. United States notes are more by $43,155. The national bank notes on hand are greater by $2,478,365.28. In subsidiary silver coin the reduction reaches $2,154,660.62, and in minor coin $24,604.76. In fractional currency the vaults held $794.90 more than a year before.

Deposits in national banks to general account received an addition of $22,833,524.17, and those to the credit of disbursing officers of $1,025,048.76. A new item is presented in the amount of $1,122,463.61 to the credit of United States disbursing officers in the treasury of the Philippine Islands. The bonds and interest awaiting reimbursement were $29,551.74 more than at the close of 1902. The aggregate presents an excess of $30,102,869.67 over that for the preceding fiscal year.

Against the funds on hand liabilities outstanding amounted June 30 last to $3,605,116.60 more than at the corresponding date of 1902.

Thus the available cash balance at the end of 1903 exceeded that twelve months before by $26,498,753.07.

By October 1, 1903, the available cash balance rose to $239,417,184.22, an increase of $18,163,790.10 as compared with twelve months before, but for the quarter only the increase was $731,069.99.

The deposits in national banks, including those of disbursing officers, amounted to $161,778,285.68, an increase during the quarter of $13,935,675.16.

The details follow:

GENERAL FUND—CASH IN THE VAULTS.

[From revised statements.]

Kind.	June 30, 1902.	June 30, 1903.	Oct. 1, 1903.
Gold coin and bullion	$63,588,210.97	$72,300,920.43	$84,323,847.50
Gold certificates	40,213,080.00	31,861,319.00	26,390,210.00
Standard silver dollars	17,390,851.00	17,302,986.00	15,212,497.00
Silver certificates	7,439,338.00	9,972,987.00	6,192,784.00
Silver bullion	3,132,596.09	2,106,002.22	1,546,131.32
United States notes	12,389,294.00	12,432,449.00	10,302,247.00
Treasury notes of 1890	197,224.00	166,352.00	162,792.00
National-bank notes	11,195,574.95	13,673,941.23	15,520,836.69
Subsidiary silver coin	11,462,533.80	9,307,873.18	7,958,266.42
Fractional currency	146.83	941.73	83.64
Minor coin	919,404.54	894,799.78	406,642.99
Total	167,928,254.18	170,020,562.57	168,076,338.56
In National-bank depositaries:			
To credit of the Treasurer of the United States	117,393,611.08	140,227,135.25	153,264,807.99
To credit of disbursing officers	6,589,456.51	7,615,475.27	8,513,477.69
Total	123,983,067.59	147,842,610.52	161,778,285.68
In treasury of Philippine Islands: To credit of United States disbursing officers		4,122,463.61	3,609,366.53
Awaiting reimbursement, bonds and interest paid	16,564.79	46,119.53	1,116,969.49
Total	123,999,632.38	152,011,193.66	166,504,621.70
Aggregate	291,927,886.56	322,031,756.23	334,520,960.26
Liabilities:			
National-bank 5 per cent fund	13,851,846.04	14,880,938.11	14,702,527.67
Outstanding checks and warrants	3,561,165.48	3,431,921.91	9,160,625.26
Disbursing officers' balances	44,899,648.10	49,148,253.68	63,327,320.92
Post-Office Department account	9,743,543.62	8,810,511.41	6,219,356.48
Miscellaneous items	7,684,322.16	7,073,316.89	1,693,945.71
Total	79,740,525.40	83,345,642.00	95,103,776.04
Available cash balance	212,187,361.16	238,686,114.23	236,417,184.22

NET AVAILABLE CASH BALANCE.

Again the fiscal year shows a marked advance in the available cash balance. For 1903 the amount was $388,686,114.23, and this was $26,498,753.07 more than at the close of the preceding year. Since 1900 this balance has been more than doubled, rising from $179,259,837.18. In this balance the reserve fund is included at $150,000,000 since 1900, and at $100,000,000 in the years cited before that date.

Of the total balance June 30 the national banks held in general account $140,227,135.25. Subsidiary silver coin, bullion, and minor coin stand for $12,308,575.18. The national-bank notes on hand may be set off against the 5 per cent fund. With these deductions and without including the reserve, the actual funds in the Treasury are shown to be $86,150,403.80.

As a working balance of $50,000,000 is deemed fair and prudent there remained an excess of $36,150,403. This was available for payment toward the sum of $40,000,000 for the Panama Canal, if the treaty with Colombia had been perfected.

Gold in the form of metal and certificates constituted $104,162,230.43 of the available cash June 30 last, an increase of $350,939.46 in twelve months.

AVAILABLE CASH BALANCE (INCLUDING THE RESERVE FUND), FROM THE REVISED STATEMENTS, ON THE DATES NAMED.

Date.	Available cash balance.		
	Reserve fund.	Balance.	Total.
July 1—			
1890	$100,000,000	$79,259,837.18	$179,259,837.18
1891	100,000,000	56,847,826.49	156,847,826.49
1892	100,000,000	29,182,494.70	129,182,494.70
1893	100,000,000	24,824,804.94	124,824,804.94
1894	100,000,000	18,885,988.16	118,885,988.16
1895	100,000,000	96,348,193.17	196,348,193.17
1896	100,000,000	169,637,307.07	269,637,307.07
1897	100,000,000	144,466,201.95	244,466,201.95
1898	100,000,000	109,282,643.13	209,282,643.13
1899	100,000,000	184,488,516.20	284,488,516.20
1900	150,000,000	156,827,605.37	306,827,605.37
1901	150,000,000	178,406,798.13	328,406,798.13
1902	150,000,000	212,187,361.16	362,187,361.16
1903	150,000,000	238,686,114.23	388,686,114.23
Oct. 1, 1903	150,000,000	239,417,184.22	389,417,184.22

WITHDRAWAL OF TREASURY NOTES.

The process of the withdrawal of Treasury notes under the act of March 14, 1900, is here recorded, showing the substitution of silver certificates for such notes as fast as the bullion purchased under the law of 1890 was coined into standard dollars and other Treasury notes were canceled on the coinage of subsidiary silver.

	Mar. 14, 1900.	July 1, 1900.	July 1, 1901.	July 1, 1902.	July 1, 1903.
Treasury notes	$86,770,000	$76,027,000	$47,783,000	$30,000,000	$19,243,000
Silver certificates	408,447,504	416,015,000	435,014,000	453,997,000	464,706,000
Total	495,217,504	492,042,000	482,797,000	483,997,000	483,949,000
Subsidiary coinage[a]		1,655,882	7,266,972	11,191,387	12,833,542

[a] Bullion purchased under the act of July 14, 1890, used in the coinage of subsidiary silver (act March 14, 1900, section 8, from March to July 1, 1903).

BONDS BOUGHT FOR THE SINKING FUND.

Under an offer made by the Secretary of the Treasury September 26 to buy bonds of the loan of 1904 at 105 if presented before October 15, 1902, purchases of such securities were made to the amount of $25,300.

Arrangement was made by the Secretary of the Treasury for the purchase of bonds of the loan of 1925 on October 17 and 18, 1902, deliverable then or on October 20. The cash paid was:

Loan.	Principal.	Premium, including accrued interest.	Total.
Loan of 1925	$16,504,300	$6,342,229.99	$22,846,529.99

ANTICIPATION OF INTEREST.

Interest was paid in anticipation in the autumn. The transactions were stated in the Treasurer's report issued in November, 1902. They are presented here so that the record for the year may be complete.

On September 13, 1902, the Secretary of the Treasury authorized the anticipation of payment of the interest due October 1. The interest on the consols of 1930 was paid immediately at the date of the notice, and that on the funded loan of 1907 was paid on September 15. The items of interest so authorized to be prepaid were:

Loan.	Registered.	Coupon.	Total.
Funded loan of 1907	$1,826,742.50	$505,082.50	$2,331,775.00
Consols of 1930	2,182,521.00	47,182.75	2,229,703.75
Total	4,009,263.50	552,215.25	4,561,478.75

October 20, 1902, by authority of the Secretary of the Treasury, the interest to accrue November 1, additional to $50,353.25 previously paid with rebate, was anticipated. The total amount of November interest was:

Loan.	Registered.	Coupon.	Total.
Loan of 1908–1918	$389,316.60	$342,050.85	$731,367.45
Loan of 1904	139,055.62	103,573.75	242,629.37
Loan of 1925	1,047,321.00	302,621.00	1,349,942.00
Total	1,575,693.22	748,245.60	2,323,938.82

The Secretary of the Treasury on September 25, 1902, offered to holders of United States bonds the option to receive in advance their interest maturing between November 1, 1902, and July 1, 1903, at a rebate of two-tenths of 1 per cent a month. This amounted to $20,656,252.72. Payments began October 1, and before November 30 the option was taken to the amount of $3,481,322.25 with a rebate of $40,097.52.

Loan.	Registered.	Coupon.	Total.	Rebate deducted.
Funded loan of 1907	$432,745.50	$3,346.00	$436,091.50	$5,165.45
Consols of 1930	2,624,472.00	17,047.50	2,641,519.50	31,458.50
Loan of 1904	56,318.75	2,675.00	58,993.75	472.45
Loan of 1925	213,428.50	61,128.00	274,556.50	2,258.45
Loan of 1908–1918	67,681.20	2,479.80	70,161.00	742.67
Total	3,394,645.95	86,676.30	3,481,322.25	40,097.52

EXCHANGE INTO CONSOLS OF 1930.

By public notice, March 26, 1903, the Secretary of the Treasury offered to exchange securities of the loan of 1907, four per cents, and those of 1908, three per cents, into consols of 1930, to an amount not exceeding $100,000,000. The conditions were that the older bonds mentioned would be received at a valuation equal to their present

worth to yield an income of 2½ per cent per annum, and like amounts of United States registered or coupon bonds bearing interest at the rate of 2 per cent per annum would be issued in exchange therefor at a premium of 2 per cent.

Before July 1 this exchange proceeded to the extent of $74,202,400, as here stated:

Title of loan.	Coupon.	Registered.	Principal.	Accrued interest.	Present worth in excess of par value.
Funded loan of 1907	$3,385,550	$56,408,250	$59,793,800	$148,952.22	$4,170,932.47
Loan of 1908–1918	2,266,180	12,142,420	14,408,600	61,844.06	534,139.43
Total	5,651,730	68,550,670	74,202,400	210,796.28	4,705,071.90

During July, including cases pending at the end of the month, when the Secretary of the Treasury canceled the option, bonds to the additional amount of $6,940,200 were exchanged, with the following results:

Title of loan.	Coupon.	Registered.	Principal.	Accrued interest.	Present worth in excess of par value.
Funded loan of 1907	478,000	4,828,100	$5,306,100	$7,854.15	$351,285.04
Loan of 1908–1918	737,980	896,120	1,634,100	10,418.77	58,213.00
Total	1,215,980	5,724,220	6,940,200	18,272.92	409,498.04

The total exchanges, with details of the operations, are combined in this table:

Title of loan.	Principal.	Accrued interest.	Present worth in excess of par value.
4 per cent funded loan of 1907	$65,099,900	$156,806.87	$4,522,217.51
3 per cent loan of 1908–1918	16,042,700	72,262.83	592,352.43
Total	81,142,600	229,069.20	5,114,569.94

For accrued interest	$229,069.20	
Present worth in excess of par value	5,114,569.94	
		$5,343,639.14
Less interest repaid	179,503.20	
Less interest accrued on 2 per cent bonds	102,068.69	
Less premium of 2 per cent	1,622,852.00	
		1,904,423.89
Checks were issued amounting to		3,439,215.25
Of the above amount of bonds there was received from persons and institutions other than national banks		53,633,050.00
From national banks, circulation account	$7,247,550.00	
From public moneys account	20,262,000.00	
		27,509,550.00

By notice September 23, 1903, this process of exchange was resumed, limited to $20,000,000, and by October 1 the older securities were taken to the amount of $1,639,700.

THE PUBLIC DEBT 1902, 1903, AND FIRST QUARTER OF 1904.

By purchases and exchange, during the year, the 3 per cent bonds were reduced $14,408,600; the fours of 1907, $59,791,750, and the

fours of 1925, $16,504,300. The advance of $74,202,400 in consols of 1930 followed. Gold certificates grew $62,527,780, and silver certificates $10,709,000, while Treasury notes fell off $10,757,000. Other items show immaterial changes:

	Rate.	When payable.	June 30, 1902.	June 30, 1903.	Oct. 1, 1903.
	P. ct.				
Consols of 1930	2	After Apr. 1, 1930	$445,940,750.00	$520,143,150.00	$528,723,050.00
Loan of 1908–1918	3	After Aug. 1, 1908	97,515,660.00	83,107,060.00	80,886,060.00
Funded loan of 1907	4	July 1, 1907	233,177,400.00	173,385,650.00	167,026,800.00
Refunding certificates	4	Convertible	31,980.00	30,600.00	30,530.00
Loan of 1925	4	Feb. 1, 1925	134,994,200.00	118,489,900.00	118,489,900.00
Loan of 1904	5	Feb. 1, 1904	19,410,350.00	19,385,050.00	17,383,100.00
Matured loans		On demand	1,280,860.26	1,205,090.26	1,197,050.26
Old demand notes		do	53,847.50	53,847.50	53,847.50
United States notes		do	346,681,016.00	346,681,016.00	346,681,016.00
National-bank notes		do	42,071,969.50	40,053,308.50	39,827,135.50
Fractional currency		do	6,873,323.63	6,871,240.63	6,871,240.63
Gold certificates		do	346,582,089.00	409,109,869.00	420,487,869.00
Silver certificates		do	453,997,000.00	464,706,000.00	464,715,000.00
Treasury notes of 1890		do	30,000,000.00	19,243,000.00	17,498,000.00
Total			2,158,610,445.89	2,202,464,781.89	2,209,870,598.89

By October 1, 1903, the gold certificates were increased by $11,378,000, the silver certificates by $9,000, while a reduction of $1,745,000 occurred in Treasury notes.

PREPAYMENT OF BONDS.

On September 23, 1903, the Secretary of the Treasury gave notice that bonds of the loan of 1904 would be paid promptly on presentation with interest in full to their maturity, February 1, 1904. Such securities then outstanding amounted to $19,385,050. By October 1 the sum of $2,001,950 of principal of these securities was paid with $50,098.75 of interest.

FOREIGN HOLDINGS OF UNITED STATES REGISTERED BONDS.

Probably few coupon bonds of the United States are held abroad. Foreign holders naturally prefer securities that are registered, by reason of the greater safety, and they do not seek the ready transfer easy in the coupon form. By tracing the payment of checks for interest a close approximation can be obtained to the principal held in foreign countries. The record of the past five years furnishes this result, showing no notable changes, but on the whole a gradual reduction of such holdings abroad:

FOREIGN HOLDINGS OF UNITED STATES REGISTERED BONDS AT THE CLOSE OF FISCAL YEARS 1899–1903.

Title of loan.	1899.	1900.	1901.	1902.	1903.
Funded loan of 1891, continued at 2 per cent	$7,000	$17,000			
Funded loan of 1907	17,262,800	13,306,750	$8,111,800	$5,940,450	$6,485,300
Loan of 1904	456,500	239,000	192,000	44,500	168,000
Loan of 1925	5,758,900	7,540,100	7,639,150	5,867,900	5,185,700
Loan of 1908–1918	853,820	1,672,640	1,199,840	915,000	1,104,600
Consols of 1930			3,316,600	3,255,000	3,923,350
Total	24,339,020	22,775,490	20,459,390	16,022,850	16,866,950
Total of registered bonds outstanding	797,643,240	842,302,300	822,462,240	785,030,670	789,728,410
Percentage of foreign holdings	3.0514	2.7040	2.4876	2.0410	2.1358

BONDS HELD AS SECURITY FOR NATIONAL BANKS.

The United States bonds pledged to secure the notes of national banks increased $58,030,240 during the year, and those to secure deposits of public funds show an increase of $28,133,370. For circulation the consols of 1930 are $61,140,750 more than twelve months earlier, and for deposits $6,269,990 more. Philippine certificates appear this year for the first time as security for public funds.

By October 1, 1903, a maximum was reached when the securities for circulation became $381,484,830, an increase of $6,416,060 during the quarter, while those for deposits were $164,224,872, an increase of $11,372,852.

BONDS HELD FOR NATIONAL BANKS, CLOSE OF JUNE, 1902 AND 1903, AND OCTOBER 1, 1903, AND CHANGES DURING 1903.

Kind of bonds.	Rate.	Held June 29, 1901.	Held June 30, 1902.	Deposited during 1903.	Withdrawn during 1903.	Held June 30, 1903.	Held Oct. 1, 1903.
TO SECURE CIRCULATION.							
	P. ct.						
Funded loan of 1891	2	$75,000	.....	.....	.....	.....	.....
Consols of 1930	2	312,748,650	$305,983,200	$85,512,000	$24,371,250	$367,123,950	$373,639,300
Loan of 1908–1918	3	3,885,580	3,210,080	3,933,940	4,777,200	2,366,820	2,229,080
Funded loan of 1907	4	6,144,500	5,361,250	5,009,850	6,995,600	3,375,500	3,172,700
Loan of 1925	4	2,996,600	2,028,100	1,831,500	2,289,500	1,570,100	1,585,100
Loan of 1904	5	268,900	455,900	847,000	670,500	632,400	858,650
Total	.....	326,119,230	317,038,530	97,134,290	39,104,050	375,068,770	381,484,830
TO SECURE DEPOSITS.							
Consols of 1930	2	75,645,100	88,598,800	41,143,700	33,061,700	96,680,800	102,866,000
Loan of 1908–1918	3	4,962,300	6,798,600	7,702,320	8,011,500	6,489,420	7,596,920
Funded loan of 1907	4	6,132,100	9,562,500	16,708,700	20,990,500	5,280,700	4,829,900
Loan of 1925	4	8,030,950	7,002,750	5,466,000	3,491,000	8,977,750	9,675,550
Loan of 1904	5	440,000	904,000	4,068,450	1,031,000	3,941,450	3,962,450
District of Columbia	3.65	515,000	560,000	700,000	450,000	810,000	810,000
State and city	(a)	.....	.....	22,982,500	5,691,600	17,290,900	18,274,052
Philippine certificates	4	.....	.....	3,071,000	100,000	2,971,000	5,800,000
Total	.....	95,725,450	113,426,650	101,842,670	72,827,300	142,442,020	153,814,872

BONDS HELD BY THE ASSISTANT TREASURER UNITED STATES, NEW YORK.

TO SECURE DEPOSITS.							
Consols of 1930	2	$3,627,500	$8,964,500	$5,048,900	$6,861,000	$7,152,400	$6,854,400
Loan of 1908–1918	3	896,500	892,500	724,600	1,091,500	525,600	485,600
Funded loan of 1907	4	1,000,000	20,000	2,310,000	2,286,000	44,000	44,000
Loan of 1925	4	4,166,000	1,020,000	1,319,000	822,000	1,517,000	1,757,000
Loan of 1904	5	.....	45,000	885,000	638,000	292,000	385,000
District of Columbia	3.65	350,000	350,000	531,000	2,000	879,000	884,000
Total	.....	10,040,000	11,292,000	10,818,500	11,700,500	10,410,000	10,410,000

(a) Various.

NATIONAL BANKS BY GROUPS, ACCORDING TO DEPOSITS OF GOVERNMENT BONDS TO SECURE CIRCULATION.

The expansion of national banks during the past two years and their gradation in deposit of bonds are worth study. The figures below present a comparison. The growth, it will be observed, is all along the line:

	1902.	1903.
Number having on deposit—		
$5,000,000 or more	2	5
1,000,000 or more, but less than $5,000,000	25	27
500,000 or more, but less than 1,000,000	47	56
100,000 or more, but less than 500,000	853	1,016
50,000 or more, but less than 100,000	1,193	1,224
25,000 or more, but less than 50,000	932	971
6,250 or more, but less than 25,000	1,501	1,705
Total number of national banks	4,553	5,014

The largest amount of bonds deposited for this purpose by any bank is $10,000,000, as against $8,308,000 last year.

WITHDRAWAL OF BONDS TO SECURE CIRCULATION.

Under the act of June 20, 1874, as modified by section 9 of the act of July 12, 1882, national banks can take up any of their bonds pledged for circulation by depositing cash to cover them, but this privilege is restricted to $3,000,000 a month for the whole system. This limit is a fetter on the banks to that extent, but the record testifies that the restraint is moral rather than physical in practice. During the past six years, from July 1, 1897, to July 1, 1903, in an average of only one month in every twelve has the limit been reached. In nineteen other months in that period the withdrawals have exceeded $2,000,000 each, and in five of them there was a close approach to the barrier. The account of withdrawals by months will follow:

1897—July	$502,150.00	
August	1,058,040.00	
September	1,122,750.00	
October	1,412,100.00	
November	2,535,235.00	
December	5,937,705.00	
1898—January	3,228,360.00	
February	1,954,800.00	
March	427,500.00	
April	78,750.00	
May	227,690.00	
June	315,450.00	
July	1,657,522.50	
August	913,500.00	
September	455,440.00	
October	266,500.00	
November	435,170.00	
December	1,008,000.00	
1899—January	3,888,000.00	
February	1,053,461.00	
March	2,336,995.00	
April	2,503,530.00	
May	2,059,105.00	
June	1,539,217.50	
July	579,150.00	
August	1,104,297.50	
September	969,750.00	
October	162,000.00	
November	501,750.00	
December	3,026,650.00	
1900—January	2,015,130.00	
February	675,895.00	
March	2,990,250.00	
April	2,347,840.00	
May	83,500.00	
June	170,247.50	
July	98,500.00	
August	1,957,704.00	
1900—September		$1,584,085.00
October		497,500.00
November		1,075,500.00
December		461,830.00
1901—January		515,000.00
February		95,000.00
March		608,800.00
April		1,009,370.00
May		265,000.00
June		2,693,000.00
July		537,500.00
August		678,910.00
September		689,500.00
October		2,263,240.00
November		3,068,500.00
December		2,999,075.00
1902—January		2,480,044.50
February		2,986,472.50
March		2,980,262.50
April		2,999,147.50
May		2,357,785.00
June		1,191,772.50
July		932,050.00
August		385,847.50
September		2,034,492.50
October		3,090,245.00
November		787,495.00
December		17,200.00
1903—January		2,705,795.00
February		2,307,897.50
March		2,526,800.00
April		1,497,597.00
May		845,650.00
June		50,000.00
July		361,097.50
August		289,000.00
September		3,049,997.50

The restriction, which has been so seldom operative in fact, yet affects men's minds as a hard wall beyond which there is no open way, and the temptation is to try to leap over it. The repeal of the legal provision and of its correlative forbidding increase by the withdrawing bank within six months would have a sentimental effect in the direction of elasticity beyond that which the record cited might indicate.

A sudden rush of applications for withdrawal of bonds took place in September, 1903, apparently prompted in large part by the demand for securities to be pledged for deposits. The haste to be in first has often led to applications for withdrawals not afterwards consummated. The question is natural whether enlarged freedom in this respect would not remove apprehension and check such nervous action. With the barrier removed the incentive to haste and to competition for withdrawals would cease. It may be doubted whether banks would be so anxious to reduce their circulation at a given time if no restriction stood in the way of such a course in any amount at their own pleasure. The problem may well be left to Congress to solve.

BONDS FOR DEPOSITS IN NATIONAL BANKS, BY GROUPS.

Public funds are placed in 713 national banks. Of these 268 are styled regular depositaries and receive the collections of internal revenue day by day, while 445 are special depositaries to which funds are transferred in gross sums. According to the amount of bonds deposited, both classes may be grouped as in the subjoined tables, and their location in the several States is presented, with the aggregate of deposits in each State, as of July 1, 1903:

Amount.	Depositaries.		
	Regular.	Special.	Total.
Banks depositing $50,000 in bonds	62	212	274
More than $50,000 up to $100,000 in bonds	54	115	169
More than $100,000 up to $200,000 in bonds	59	61	120
More than $200,000 up to $300,000 in bonds	40	31	71
More than $300,000 up to $500,000 in bonds	22	15	37
More than $500,000 up to $1,000,000 in bonds	23	3	26
More than $1,000,000 up to $2,000,000 in bonds	3	5	8
More than $2,000,000 up to $3,000,000 in bonds		1	1
More than $3,000,000 up to $5,000,000 in bonds	3	2	5
More than $5,000,000 up to $10,000,000 in bonds	1		1
More than $10,000,000 up to $15,000,000 in bonds	1		1
Total	268	445	713

States.	$50,000.	$50,000 to $100,000.	$100,000 to $200,000.	$200,000 to $300,000.	$300,000 to $500,000.	$500,000 to $1,000,000.	$1,000,000 to $2,000,000.	$2,000,000 to $3,000,000.	$3,000,000 to $5,000,000.	$5,000,000 to $10,000,000.	$10,000,000 to $13,000,000.	Number of banks.	Amounts by States.
Alabama	6		1									7	$400,000
Alaska		1										1	75,000
Arizona	1											1	50,000
Arkansas		1										1	100,000
California	6	2	4	1	2							15	2,280,000
Colorado	3	2		2	2							9	1,650,000
Connecticut	3	9	1	1	1							15	1,736,450
Delaware	1											1	50,000
District of Columbia				2				1				3	3,451,000
Florida	1	1	2									4	465,000
Georgia	3	2	3	2	1							11	1,555,000
Hawaii			1									1	200,000
Idaho	2		1									3	205,000
Illinois	4	9	6	3	4		1					27	5,899,000
Indiana	22	7	3	1	2	3						38	6,053,800
Indian Territory	1											1	50,000
Iowa	15	14	3									32	2,988,600
Kansas	14	3	2									19	1,285,000
Kentucky	8	4	2	6	1	2						23	4,723,800
Louisiana	4	1		2								7	800,000
Maine	2	4	1									7	589,000
Maryland	3	2	7	1		2						15	3,319,400
Massachusetts	8	22	6	5	2	2			1			46	10,826,950
Michigan	5	1		2	2	1						11	2,187,500
Minnesota	5	1	1	3	2	1						13	2,572,000
Mississippi	6											6	300,000
Missouri	5	5	1	4	1	2						18	5,353,080
Montana	2	1	1									4	400,000
Nebraska	7	3	2		1							13	1,410,000
New Hampshire	6	4	5									15	1,537,800
New Jersey	2	4	2	1	1							10	1,402,000
New Mexico	2		1									3	250,000
New York	9	8	21	6	2	3	4	1	3	1	1	59	45,936,250
North Carolina	6	3	2									11	883,800
North Dakota	2		1									3	250,000
Ohio	19	7	10	7	5	3						51	9,591,950
Oklahoma		1	1									2	230,000
Oregon	1	2				1						4	1,150,000
Pennsylvania	32	24	9	6	4	5	1					81	14,692,740
Rhode Island	3	1										4	210,000
South Carolina	4	2	1									7	531,700
South Dakota	5	1										6	350,000
Tennessee	6	2	4	2								14	1,691,000
Texas	8	1	6	1								16	1,742,000
Utah	2			2								4	700,000
Vermont	4	3	2	1								10	981,500
Virginia	9	5		3	2	2						21	3,942,100
Washington	1	2		2	1	1						7	1,776,400
West Virginia	4	2	4	1								11	1,288,000
Wisconsin	10	1	4	3	1							19	2,389,200
Wyoming	2											2	100,000
Porto Rico				1								1	250,000
Total	264	168	131	71	37	28	6	2	4	1	1	713	152,852,020

STATE AND MUNICIPAL BONDS FOR PUBLIC DEPOSITS.

On October 1, 1902, under direction of the Secretary of the Treasury, the Department began to accept from national banks approved State and city bonds as a part of the security for deposits of public funds, releasing United States bonds held for that purpose, on condition that these should be at once transferred to secure circulation. The privilege of such exchange was canceled by circular November 7, 1902, excepting cases then pending. The maximum of this class of securities was reached November 29, at $20,505,500, and they were then as stated in the subjoined table. By request of the Secretary of

the Treasury they were in the closing months of the fiscal year gradually reduced, and July 1 stood at $17,290,900, as shown below:

	Nov. 29, 1902.	July 1, 1903.
State of Maryland	$100,000	$100,000
State of Massachusetts	5,841,000	4,633,000
State of Virginia	473,000	473,000
State of Connecticut	200,000	200,000
State of Maine	87,000	87,000
City of New York, N. Y	7,204,000	6,477,000
City of Philadelphia, Pa	1,069,000	961,000
City of Baltimore, Md	426,500	399,900
City of Albany, N. Y	161,000	161,000
City of Boston, Mass	963,000	674,000
City of Louisville, Ky	588,000	186,000
City of Springfield, Mass	50,000	
City of Cleveland, Ohio	674,000	254,000
City of St. Louis, Mo	1,049,000	910,000
City of Cambridge, Mass	67,000	67,000
City of Paterson, N. J	14,000	14,000
City of Minneapolis, Minn	30,000	
City of Columbus, Ohio	128,000	120,000
City of Cincinnati, Ohio	427,000	346,000
City of Chicago, Ill	686,000	966,000
City of Atlanta, Ga	134,000	134,000
City of Nashville, Tenn	134,000	134,000
Total	20,505,500	17,290,900

PUBLIC DEPOSITS IN BANKS DURING A CENTURY.

Robert Morris, the financier of the Revolution, carried the burdens of the war for independence by the aid of banks, which he organized for the purpose, and of private capitalists. From the start the National Government used the banks, at first for loans and later for deposits. This was true of the Bank of the United States, which held the public funds until President Jackson transferred them to State banks. In a report made to the House of Representatives by Mr. Baldwin, a member from Georgia, May 22, 1794, the early situation is thus depicted:

AS TO KEEPING.

The Treasurer, pursuant to general directions from the Secretary of the Treasury, keeps the public moneys under his control in the several banks. Formerly the banks of North America, New York, Massachusetts, and Maryland were places of deposit. At present the public moneys are kept in the Bank of the United States and its several offices of discount and deposit at Boston, New York, Baltimore, and Charleston and in the Bank of Providence. The Treasurer has never any public money in his possession or custody which is not, in fact, deposited in bank from the moment his possession or custody commences till it ceases by the disbursement of it for public purposes, except in the case of bank bills, orders upon individuals, etc., heretofore enumerated, as remittances from the supervisors of the revenue and collectors of the customs to the Treasurer, and those also, immediately after the receipt of them, constitute deposits in bank to the credit of the Treasurer.

The Secretary of the Treasury, or any other officer of the Department besides the Treasurer, never has the possession or custody of any part of the public moneys (except in the cases hereafter specified). And the possession or custody of the Treasurer is, as already stated, exercised through the banks. The only exception to this observation respects certain inconsiderable sums occasionally placed in the hands of the Commissioner of the Revenue for the service of the Light-House Establishment, and certain other small sums for the contingencies of the offices of the Secretary, Comptroller, Commissioner of the Revenue, and Auditor, which are, from time to time, in proportion to their expenditures, placed in the hands of the Register for disbursement, who renders an account of the disbursement, which undergoes a regular and formal settlement as other public accounts.

The same is done by the Commissioner of the Revenue. The moneys of the United States which are disbursed abroad are kept by the bankers, under whose agency the loans are made, till they are disbursed for the purposes of their destination.

The subject was often before Congress, and another report was submitted in the House of Representatives, January 28, 1801, by Mr. Otis, of Massachusetts, referring to that of Mr. Baldwin, and adding:

It does not appear that any objection has ever been made to the form of doing business specified in that report, or that the committee, after a most ample and elaborate investigation of the regulations adopted in the Department, entertained doubts of the judicious and competent nature of the arrangement and distribution of the powers and duties of the officers. The attention of the present committee was, in the first instance, occupied in comparing the present forms of proceeding at the Treasury with those heretofore exhibited; and, upon a careful examination, they are satisfied that, while the principles of that system have been maintained and matured, a close adherence to established usage has been observed; and that the Department itself is so organized by law and the mode of doing the business is so devised as to afford the most perfect security to the nation from the misapplication of the public moneys.

These moneys do not in any instance pass through the hands of the Secretary of the Treasury; he merely authorizes the receipts and disbursements by warrants in favor of and upon the Treasurer. These warrants are all signed by the Secretary, countersigned by the Comptroller, and registered by the Register. The Treasurer is the medium of the receipts and disbursements of the public moneys. Those who collect these moneys can only discharge themselves by warrants in favor of the Treasurer. The Treasurer can only obtain credit for payments from the Treasury by warrants on himself. All moneys received by the Treasurer are deposited by him in the Bank of the United States and other banks, and the actual amount of moneys in the custody of the Treasurer may be at any time ascertained, independently of his own returns, by the statements which are constantly made and transmitted to the Secretary by those who collect and receive public moneys into their custody in the different parts of the Union. His accounts must be rendered quarterly and oftener, if required, to the Comptroller, and annually to Congress.

Secretary of the Treasury Woodbury December 12, 1834, in a supplemental report discussed elaborately the keeping of the public funds. His purpose was to assert the power of the Secretary of the Treasury to remove deposits, then a partisan question, but his utterances have permanent value.

In regard to the places for keeping the funds of the United States, it is believed that under our first organization of a common treasury, no such places were ever designated by law, unless sometimes the loan offices, and unless, for such funds as were wanted in the field, the military chests accompanying the Army may be so considered.

The residue of the funds is supposed to have generally been deposited for safe-keeping, as the committee of Congress, when having charge of them, or the Treasury officers, when such had been created, were pleased to direct; and it is well known that by them banks were selected for this purpose as soon as any were incorporated in convenient places, under either State or Federal authority.

After the present constitution was adopted the usage continued the same until 1809, no law having ever been previously passed which required the deposites of public money to be made in the first United States or any State bank. But, from 1789 to 1791, it appears that the Bank of North America in Pennsylvania, by which State as well as by Congress it had been incorporated, continued to be employed by the officers of the Treasury, under the direction of the Secretary, and in the exercise of his supposed legal power over this subject.

The three banks of Massachusetts, New York, and Maryland, incorporated in those States, under those respective names, were also in the same way next selected and used. After 1791, the former United States bank was, by this Department, voluntarily added to the number. In 1809, by the act of March 3, the first express legislation took place as to the use of any banks whatsoever as places for the public deposites, and that extended only to "the public moneys in the hands" of disbursing officers, and required them to be kept, "wherever practicable," in some "incorporated bank," and that bank to be selected or "designated for the purpose by the President of the United States." The deposites by collecting officers were left untouched, they having been already, as before named, usually placed in banks, and those banks selected, not by the Treasurer, or Congress, or the President, but by the Secretary of this Department, or by his direction, under the power confided to him by acts of Congress, of supervising the finances and the doings of the subordinate

officers in the Treasury. A committee of the House of Representatives, May 22, 1794, made a very able report on the condition of the Treasury, in which, on this point, they remark that "the Treasurer, pursuant to general directions from the Secretary of the Treasury, keeps the public moneys under his control in the several banks," etc. In February, 1811, before the charter of the old bank expired, but after its renewal had been refused, Mr. Gallatin, by his own act, and not by orders to the Treasurer, and without consulting Congress, then in session, proceeded to select other banks, incorporated by the several States, and to remove to them the deposites of the public money. As appears in his report to the House of Representatives, January 8, 1812, he entered into arrangements with them, in many respects similar to those now in operation.

After this change, the usage and law on this subject continued unaltered till 1816, when it was provided in the charter of the present Bank of the United States, "that the deposits of the money of the United States, in places in which the said bank and branches thereof may be established, shall be made in said bank or branches thereof, unless the Secretary of the Treasury shall at any time otherwise order and direct: in which case the Secretary of the Treasury shall immediately lay before Congress, if in session, and if not, immediately after the commencement of the next session, the reasons for such order or direction."

Whether this was or was not intended to include the deposit of money in the hands of disbursing as well as collecting officers, all difficulty was avoided on that point by the President, in giving directions, as has lately been done, to have the same banks used by the former as were used by the latter class of officers.

President Jackson's removal of deposits was from one bank with branches to many separate institutions, but always to banks. The rage for the purchase of public lands led to the creation of banks which might issue notes to be used in the required payments to the Government. Deposits in the banks were, June 30, 1836, carried up to $39,081,147, an immense sum for those days.

They reached $45,056,883 in December, 1836, but the lower sum had proved a temptation to the States to ask for the deposit with them. Congress, by act of June 23, 1836, voted to make distribution in four installments of all moneys in the Treasury, except $5,000,000, to the States on the formal pledge of their faith for repayment. Three installments were paid to the States, when the Government found its necessities forbade further distribution, and the policy was stopped by act of October 3, 1837, which also provided that the funds already deposited should "remain with the States until otherwise directed by Congress." So they remained there to the amount of $28,101,644.91, and are carried on the books of the Department as unavailable funds.

The bank of the United States had passed away and the "pet banks" were causing President Jackson hardly less trouble than the offensive central institution had done. The distribution to the States under the act of June 23, 1836, was to begin with January, 1837, and in the mean time the kind of currency turned into the Department by the banks was not satisfactory. On July 11, 1836, Secretary of the Treasury Woodbury issued his "specie circular," which forms an interesting chapter in our financial history:

CIRCULAR.

To receivers of public money, and to the deposite banks:

TREASURY DEPARTMENT, *July 11, 1836.*

In consequence of complaints which have been made of frauds, speculations, and monopolies, in the purchase of the public lands, and the aid which is said to be given to effect these objects by excessive bank credits and dangerous, if not partial, facilities through bank drafts and bank deposites, and the general evil influence likely to result to the public interests, and especially the safety of the great amount of money in the

Treasury and the sound condition of the currency of the country from the further exchange of the national domain in this manner, and chiefly for bank credits and paper money, the President of the United States has given directions, and you are hereby instructed, after the 15th day of August next, to receive in payment of the public lands nothing except what is directed by the existing laws, viz: Gold and silver, and in the proper cases, Virginia land scrip; provided, that till the 15th of December next, the same indulgences heretofore extended as to the kind of money received may be continued for any quantity of land not exceeding 320 acres to each purchaser who is an actual settler or bona fide resident in the State where the sales are made.

In order to ensure the faithful execution of these instructions, all receivers are strictly prohibited from accepting for land sold any draft, certificate, or other evidence of money or deposite, though for specie, unless signed by the Treasurer of the United States, in conformity to the act of April 24, 1820. And each of those officers is required to annex to his monthly returns to this Department the amount of gold and of silver, respectively, as well as the bills received under the foregoing exception; and each deposite bank is required to annex to every certificate given upon a deposite of money the proportions of it actually paid in gold, in silver, and in bank notes. All former instructions on these subjects, except as now modified, will be considered as remaining in full force.

The principal objects of the President in adopting this measure being to repress alleged frauds and to withhold any countenance or facilities in the power of the Government from the monopoly of the public lands in the hands of speculators and capitalists, to the injury of the actual settlers in the new States and of emigrants in search of new homes, as well as to discourage the ruinous extension of bank issues and bank credits, by which those results are generally supposed to be promoted, your utmost vigilance is required and relied on to carry this order into complete execution.

LEVI WOODBURY,
Secretary of the Treasury.

The drop in the balance in the Treasury as well as the deposits in banks was phenomenal—to $6,804,953 in the combined total in 1837. An era of panic swept over the country, due to the speculation, hastened by the efforts to check that evil. The public funds were low. President Van Buren's suggestions for an Independent Treasury, made law July 4, 1840, and lasting only until August 13, 1841, were followed by various schemes which left the funds in chief part in the banks.

The passage of the act of August 6, 1846, created the Independent Treasury system practically as it stands to-day, and brought the public moneys into the immediate care of the Treasury, and from 1847 until 1864 the banks held no share of them. From that time forward such depositaries have held varying amounts, attaining the maximum at $402,370,130 during the bond transactions April 23, 1879, and now again, June 30, 1903, at $147,842,610. By October 1 they were $161,778,286.

In the earlier days the Government received no interest on its deposits, but the act of June 23, 1836, made this requirement upon the conditions recited:

SEC. 11. Whenever the amount of public deposites to the credit of the Treasurer of the United States in any bank shall, for a whole quarter of a year, exceed the one-fourth part of the amount of the capital stock of such bank actually paid in, the banks shall allow and pay to the United States, for the use of the excess of the deposites over the one-fourth part of its capital, an interest at the rate of two per centum per annum, to be calculated for each quarter, upon the average excesses of the quarter; and it shall be the duty of the Secretary of the Treasury, at the close of each quarter, to cause the amounts on deposite in each deposite bank for the quarter to be examined and ascertained, and to see that all sums of interest accruing under the provisions of this section are, by the banks respectively, passed to the credit of the Treasurer of the United States in his accounts with the respective banks.

The drain upon the banks due to lower balances in the Treasury resources caused some friction, and Congress sought to offer palliation

by the act of October 16, 1837, which was entitled "An act for adjusting the remaining claims upon the late deposite banks." The provisions were:

The Secretary of the Treasury is hereby authorized to continue to withdraw the public moneys now remaining in any of the former deposite banks, in a manner as gradual and convenient to the institutions as shall be consistent with the pecuniary wants of the Government and the safety of the funds thus to be drawn; and that no further interest than that required by the deposite act of the twenty-third of June, one thousand eight hundred and thirty-six, under which those deposites were made, shall be demanded of any bank which has met, and shall hereafter meet, the requisitions of the Department. This provision shall also extend to such public moneys as may remain in any of the said banks, whether standing to the credit of the Treasurer of the United States, or of any disbursing or other public officer of the Government.

SEC. 2. In case of neglect or refusal by any of the said banks to comply with the requisitions of the Secretary of the Treasury, as he shall make them, in conformity with the first section of this act, suits shall be instituted, where that has not already been done, to recover the amounts due to the United States, unless the defaulting bank shall forthwith cause to be executed and delivered to the Secretary of the Treasury a bond, with security to be approved by the Solicitor of the Treasury, to pay to the United States the whole moneys due from it in three instalments: the first to be paid on the first day of July next, the second on the first day of January, eighteen hundred and thirty-nine, and the remaining instalment on the first day of July, eighteen hundred and thirty-nine; and the default mentioned in this act, on which interest is to commence at the rate of six per centum per annum, shall be understood to be the neglect or omission of said banks, or any of them, to answer the drafts or requisitions of the Secretary of the Treasury made on them according to the provisions of the first section of this act; and interest thereon at the rate of six per centum per annum from the time of default, together with any damages which may have accrued to the United States from protests of drafts drawn upon it, or from any other consequence of its failure to fulfil its obligations to the public Treasury.

Such charges of interest from the banks on public funds deposited with them were exceptional, and were not continued.

In the early days services and accommodations rendered by the banks were treated as consideration for the use of the deposits placed by the Government. Facilities for the payment of customs by importers also were required. Albert Gallatin, as Secretary of the Treasury, in a communication dated January 8, 1812, to the Speaker of the House of Representatives, sets forth the situation on the expiration of the charter of the first Bank of the United States:

As soon as it had been ascertained that the charter of the Bank of the United States would not be renewed, a letter was addressed to the collectors of Boston, New York, Philadelphia, Baltimore, Norfolk, Charleston, and New Orleans directing them to cease to deposit custom-house bonds for collection in the Bank of the United States or its branches, to withdraw those falling due after the 3d of March, 1811, and to deposit thereafter the bonds in one or more State banks, which were, according to the information already received, either pointed out or left at the option of the collector. The only condition required in the first instance, from the bank or banks thus selected, was, that they should, in their discounts, give the preference to paper offered by persons having custom-house bonds to pay. This, considering the pressure expected from the dissolution of the Bank of the United States, appeared of primary importance toward facilitating and securing the collection of the revenue.

There being no State bank at Savannah, the collector of that port was only directed to cease depositing the revenue bonds in the branch Bank of the United States.

Statements of their conditions were called for from the depositing banks frequently, so that the Secretary of the Treasury might judge of the safety of the moneys intrusted to them. Section 6 of the act of June 23, 1836, gave authority to the Secretary and made it "his duty, whenever in his judgment the same shall be necessary or proper, to require of any bank so selected and employed as aforesaid collateral or additional securities for the safe-keeping of the moneys depos-

ited therein, and the faithful performance of the duties required by this act."

The national-bank act provided for enlarged and general use of the institutions established as depositaries. Section 220 of that act (section 5153, Revised Statutes) defines the duties and fixes the conditions:

SEC. 5153. All national banking associations, designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public moneys and financial agents of the Government, as may be required of them. The Secretary of the Treasury shall require the associations thus designated to give satisfactory security, by the deposit of United States bonds and otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. And every association so designated as receiver or depositary of the public money shall take and receive at par all of the national currency bills, by whatever association issued, which have been paid into the Government for internal revenue, or for loans or stocks.

Personal bonds were, however, used as security for deposits at this period in larger measure than Government securities. The report of the Treasurer of the United States for 1864 shows pledged for deposits in banks $10,697,050 in Government securities and $19,312,700 in personal bonds, while in the report for 1865 for deposits of $32,707,500 the security included only $25,000 from individuals. Personal securities continued to be accepted occasionally up to January 3, 1883. To that date from April 16, 1866, they amounted to $4,345,000, a single institution pledging $3,000,000 in this form. Such transactions occurred in the fiscal years 1866, 1870, 1873, 1874, 1877, and the last was in 1883.

The Government bonds have been accepted at various rates at different periods, from 66 per cent of par to their face value, and all classes of them when registered now appear on the Treasury books dollar for dollar as security for deposits.

Since October, 1902, State and city bonds serve at rates and to an extent fixed by the Department for the like purpose.

Some losses have been suffered by the Government on account of its deposits in banks. The records show the items below recited as uncollected from depositaries:

Year.	Bank.	Balance due as per last statement.
	State banks designated as depositaries, etc.	
1836	Bank of Vincennes, Ind	$168,511.64
1842	Bank of Illinois	46,909.51
1835	Farmers and Mechanics' Bank of Indiana	31,683.90
1839	Tombeckbee Bank	98,178.70
1839	Agricultural Bank of Mississippi	583,404.30
1840	Franklin Bank of Boston	12,331.25
1839	Commercial Bank of Buffalo, N. Y	816.94
1839	Franklin Bank of Alexandria, D. C	48,000.00
1839	Bank of Edwardsville, Ill	46,973.00
1839	Bank of Missouri	159,199.87
1843	Bank of Washington, Pa	5,658.15
1844	Bank of Steubenville, Ohio	300,056.33
1844	Elkton Bank of Maryland	25,372.19
1844	Bank of Somerset, Md	62,420.36
1845	Bank of Columbia, Georgetown, D. C	659,341.08
1845	Virginia Saline Bank	10,121.00
1845	Merchants' Bank of Alexandria, Va	3,217.00
1845	Parkersburg Bank	198.00
1845	Bank of Greencastle	595.00
1845	Urbana Bank	2,839.00
1845	Juniata Bank	3,200.00
1845	Huntington Bank	2,380.00

Year.	Bank.		Balance due as per last statement.
	State banks designated as depositaries, etc.—Continued.		
1845	Lebanon Miami Banking Company		$9,575.00
1845	Farmers and Mechanics' Bank, Pittsburg		1,311.00
1845	Bedford Bank		4,059.57
1845	Farmers, Mechanics and Manufacturers' Bank of Chillicothe		29,729.45
1839	Farmers and Mechanics' Bank, Cincinnati, Ohio		20,213.01
1845	do		16,753.00
1845	Miami Exporting Company, Ohio		3,469.54
1845	Bank of Cincinnati, Ohio		3,846.00
1845	Commercial Bank of Cincinnati, Ohio		1,021.50
1845	Bank of the Metropolis, Washington, D. C		3,059.64
1845	Centre Bank of Pennsylvania		6,381.73
	Total State bank depositaries, etc		2,370,856.66
	National banks designated as depositaries.		
1867	First National Bank, Selma, Ala	$33,393.87	
1866	Venango National Bank, Franklin, Pa	181,367.51	
			214,761.38
	Aggregate		2,585,618.04

States and municipalities not infrequently require payment of interest upon deposits made by them in banks, and also demand security therefor. For example, the State of New York collects interest on its funds from depositaries, and accepts as security personal bonds and the guaranty of corporations. Cities in that State in some cases ask banks to fix the highest rate of interest which they will pay for deposits with the condition of granting loans to the municipality, and security is called for in the form of personal bonds or the guaranty of corporations.

Table No. 61 (p. 240) brings together for the first time the history of the public funds in the depositary banks from 1789 to the current year. The total balance in the Treasury is stated at the dates named, and the division is shown between the Treasury offices and the banks. Where the number of institutions in each year can be found it is placed in the fitting column. The compilation has been prepared with the greatest care.

THE MONETARY STOCK.

The stock of money continues to grow in large part in gold, showing an addition during the year of $124,882,963. The part of this increase in gold and bullion was $60,137,401. Standard dollars advanced in volume by $14,080,956 and subsidiary silver by $4,423,047. The greater part of the advance in the dollars was due to the cancellation of $10,757,000 in Treasury notes. National-bank notes furnished $56,998,559 of the total growth.

In the first quarter of the fiscal year 1904 the metallic stock was increased by $27,520,044, of which $24,630,661 was in gold and $2,889,383 in silver. There was an increase of $6,755,885 in national-bank notes, and a decrease of $1,745,000 in Treasury notes of 1890.

Monetary Stock.

[This statement represents the monetary stock of the United States as shown by the revised statements for June 30, 1902 and 1903.]

Kind.	In Treasury and mints.	In circulation.	Total stock.
June 30, 1902.			
Gold coin and bullion	$560,200,300	$632,394,289	$1,192,594,589
Silver dollars	471,387,851	68,747,349	540,135,200
Subsidiary silver	11,462,534	85,721,228	97,183,762
Total metallic	1,043,050,685	786,862,866	1,829,913,551
United States notes	12,389,294	334,291,722	346,681,016
Treasury notes of 1890	197,224	29,802,776	30,000,000
National-bank notes	11,195,575	345,476,516	356,672,091
Total notes	23,782,093	709,571,014	733,353,107
Gold certificates	40,213,089	306,399,009	
Silver certificates	7,439,338	446,557,662	
Total certificates	47,652,418	752,956,671	
Aggregate		2,249,390,551	2,563,266,658
June 30, 1903.			
Gold coin and bullion	631,420,789	621,311,201	[a] 1,252,731,990
Silver dollars	482,008,986	72,207,170	[a] 554,216,156
Subsidiary silver	9,307,873	92,298,936	[a] 101,606,809
Total metallic	1,122,737,648	785,817,307	[a] 1,908,554,955
United States notes	12,432,449	334,248,567	346,681,016
Treasury notes of 1890	166,352	19,076,648	19,243,000
National-bank notes	13,673,941	399,996,709	413,670,650
Total notes	26,272,742	753,321,924	779,594,666
Gold certificates	31,861,310	377,258,559	
Silver certificates	9,972,987	454,733,013	
Total certificates	41,834,297	831,991,572	
Aggregate		2,371,130,803	2,688,149,621
October 1, 1903.			
Gold coin and bullion	654,811,716	622,550,934	1,277,362,651
Silver dollars	480,976,759	75,959,483	555,886,980
Subsidiary silver	7,958,266	94,867,102	102,825,368
Total metallic	1,143,746,741	793,377,519	1,936,074,999
United States notes	10,302,247	336,378,769	346,681,016
Treasury notes of 1890	162,792	17,335,208	17,498,000
National-bank notes	15,520,837	404,905,498	420,426,535
Total notes	25,985,876	758,619,675	784,605,551
Gold certificates	26,390,210	394,097,659	
Silver certificates	6,192,784	458,522,216	
Total certificates	32,582,994	852,619,875	
Aggregate		2,404,617,069	2,720,080,550

[a] From statement of July 1, 1903.

RATIO OF GOLD TO TOTAL STOCK OF MONEY.

The share of gold in the money of the country received an increment during the past fiscal year of $60,137,401, and the ratio to the total stock was raised to 46.60 per cent. In the first quarter of 1904 the stock of money was increased by $32,530,929, of which $24,630,661 was in gold, and the ratio of gold to the total attained a maximum at 46.95 per cent.

The details follow for the years from 1897:

RATIO OF GOLD TO TOTAL STOCK OF MONEY FROM JULY 1, 1897.

[From the revised statements of the Treasury Department.]

Date.	Total stock of money.	Gold.	Per cent.
July 1, 1897	$1,905,996,619	$696,239,016	36.52
July 1, 1898	2,073,574,442	861,514,780	41.54
July 1, 1899	2,190,093,905	963,498,384	43.99
July 1, 1900	2,339,700,673	1,034,384,444	44.21
July 1, 1901	2,483,147,292	1,124,639,062	45.29
July 1, 1902	2,563,266,658	1,192,504,589	46.52
July 1, 1903	2,688,149,621	1,252,731,990	46.60
October 1, 1903	2,720,680,550	1,277,362,651	46.95

GOLD IN THE TREASURY.

During the same period the share of the yellow metal held by the Treasury has received an increment of $452,771,461.86, and amounted to $631,420,789.43 on July 1 last. The addition for the twelve months then ended was $71,220,489.46. For the first quarter of the current fiscal year there was an addition of $23,390,927 made to the gold held by the Treasury, bringing it up to $654,811,716.50.

The following table gives the details:

GOLD IN THE TREASURY.

Date.	Reserve.	For certificates in circulation.	General fund (belonging to Treasury).	Total.
July 1, 1897	$100,000,000	$57,285,379	$21,363,988.57	$178,649,327.57
July 1, 1898	100,000,000	35,811,589	67,752,727.90	203,564,316.90
July 1, 1899	100,000,000	32,655,919	151,104,111.92	283,760,353.92
July 1, 1900	150,000,000	200,733,019	72,844,952.68	423,577,971.68
July 1, 1901	150,000,000	247,056,359	97,811,938.42	494,868,297.42
July 1, 1902	150,000,000	306,399,009	103,801,290.97	560,200,299.97
July 1, 1903	150,000,000	377,258,559	104,162,230.43	631,420,789.43
October 1, 1903	150,000,000	394,097,659	110,714,057.50	654,811,716.50

DEPOSITS OF GOLD BULLION AT MINTS AND ASSAY OFFICES, FISCAL YEARS 1902 AND 1903.

The gold bullion received at the mints and assay offices during the past two years was as stated below:

	1902.	1903.
Philadelphia	$1,358,368.48	$1,352,974.74
San Francisco	44,592,759.89	40,384,643.83
New Orleans	408,252.74	511,436.07
New York	49,634,947.53	52,573,877.53
Denver	15,518,454.95	15,371,980.08
Carson	308,798.46	271,622.06
Boise	1,799,465.29	1,336,902.09
Helena	2,174,935.23	2,401,667.65
Charlotte	266,656.63	245,991.15
St. Louis	86,233.31	120,037.03
Deadwood	540,452.93	964,184.22
Seattle	15,353,800.08	11,180,406.84
Total	132,043,125.52	126,715,723.29

RECEIPTS FROM CUSTOMS AT THE PORT OF NEW YORK AND THE AMOUNT PAID IN GOLD FOR THE FISCAL YEARS NAMED.

Of the total customs collected the receipts at the port of New York constituted 67 per cent. These were nearly all in gold, the fraction of less than 2 per cent being really only change. At other ports the share of gold in customs receipts is about 80 per cent. The data for New York are here presented:

Fiscal year.	Total receipts.	Paid in gold.	
		Amount.	Per cent.
1875	[a] $108,590,256	[a] $108,590,256	100.0
1879	[b] 97,343,818	[b] 37,265,940	38.3
1889	146,889,880	125,693,361	85.5
1899	137,482,228	107,896,355	78.4
1901	152,973,471	131,737,888	86.1
1902	165,443,740	155,369,917	93.9
1903	180,838,114	177,448,732	98.1

[a] There are no data to show the kinds of money in which these duties were paid, but during this year all duties were payable in coin.

[b] The collections from July to December, inclusive, were $49,127,818, of which $35,970,357 was gold, equal to 73.2 per cent, while the collections from January to June, inclusive, were $48,216,000, of which $1,295,583 was gold, equal to 2.6 per cent.

IMPORTS AND EXPORTS OF GOLD DURING 1903.

During the fiscal year 1903 the exports of gold exceeded the imports by $2,108,568. The ore brought in was mostly from the British northwest adjoining Alaska.

IMPORTS AND EXPORTS OF GOLD COIN AND BULLION AND GOLD IN ORE DURING THE FISCAL YEAR 1903.

Kind.	Imports.	Exports.	Net imports.	Net exports.
Gold coin and bullion	$26,306,190	$46,793,212		$20,487,022
Gold in ore	18,675,837	297,383	$18,378,454	
Total	44,982,027	47,090,595		2,108,568

MONEY IN CIRCULATION.

The addition to the money in circulation during the fiscal year 1903 was $121,740,252. Of this sum $59,776,162 was in gold coin and certificates, $54,520,193 in national-bank notes, and $18,212,800 in silver in its three forms of standard dollars, certificates, and subsidiary coin. A falling off occurred in United States notes and Treasury notes to the amount of $10,769,283. As a result the circulation to each person increased $1.02, and the share of gold to the whole to 42.11 per cent, the highest ratio ever recorded.

Between July 1 and October 1, 1903, the money in circulation was increased by $33,486,266, of which $18,078,833 was in gold coin and certificates, $388,762 in United States notes, $4,908,989 in national-bank notes, and $10,109,682 in silver in its three forms.

The circulation per capita attained a maximum at $29.75.

The table groups the years from 1890:

MONEY IN CIRCULATION AT THE END OF EACH FISCAL YEAR FROM 1890.

Fiscal year.	Money in circulation.					Circulation per capita.	Percentage of gold coin and certificates to total circulation.
	Gold coin and gold certificates.	United States notes and Treasury notes.	National bank notes.	Silver certificates, standard silver dollars, and subsidiary silver.	Total.		
1890	$505,089,782	$334,688,977	$181,604,937	$407,867,574	$1,429,251,270	$22.82	35.34
1891	527,382,232	333,556,064	162,221,046	424,281,365	1,497,440,707	23.42	35.22
1892	549,662,443	437,658,596	167,221,517	446,804,631	1,601,347,187	24.56	34.32
1893	501,177,852	471,630,040	174,669,966	449,223,387	1,596,701,245	24.03	31.38
1894	562,336,579	460,206,031	200,219,743	438,066,355	1,660,808,708	24.52	33.85
1895	528,099,276	445,037,154	206,955,651	447,[illegible]	[illegible]	[illegible]	[illegible]
1896	497,103,183	351,385,115	215,168,122	442,978,546	1,506,434,966	21.41	32.99
1897	554,875,027	390,384,139	225,544,351	469,406,002	1,640,209,519	22.87	33.82
1898	693,762,052	408,440,459	222,990,988	512,666,396	1,837,859,895	25.15	37.74
1899	742,[illegible]	421,[illegible]	237,[illegible]	502,[illegible]	1,904,[illegible]	[illegible]	[illegible]
1900	811,539,491	392,980,487	300,115,112	550,515,908	2,055,150,998	26.94	39.48
1901	876,827,124	377,569,944	345,110,801	575,800,093	2,175,307,962	27.98	40.30
1902	938,793,298	364,094,498	345,476,516	601,026,239	2,249,390,551	28.43	41.73
1903	998,569,760	358,325,215	399,996,709	619,289,179	2,371,130,803	29.45	42.11
Oct. 1, 1903	1,016,648,593	353,713,977	404,905,698	629,348,801	2,404,617,069	29.75	42.27

NOTE.—Currency certificates, act of June 8, 1872, are included in the amount of United States notes and Treasury notes.

CIRCULATION AND POPULATION.

The prediction in the report of the Treasurer of the United States in November, 1902, has been fulfilled, and the percentage per capita of growth of circulation keeps ahead of that of population. During the fiscal year 1903 the increase in population was 1.7 per cent while that in circulation was 3.5 per cent.

Comparison of the aggregate and of the growth for each of fourteen years may be studied in the annexed table, which is brought down to October 1, 1903:

INCREASE IN POPULATION AND IN CIRCULATION PER CAPITA.

Fiscal year.	Money in circulation.	Population.	Circulation per capita.	Per cent of increase of population per year.	Per cent of increase of circulation per capita per year.
1890	$1,429,251,270	62,622,250	$22.82	2.1	1.3
1891	1,497,440,707	63,947,000	23.42	2.1	2.6
1892	1,601,347,187	65,191,000	24.56	1.9	4.8
1893	1,596,701,245	66,456,000	24.03	1.9	a2.1
1894	1,660,808,708	67,740,000	24.52	1.9	2.0
1895	1,601,968,473	69,043,000	23.20	1.9	a5.3
1896	1,506,434,966	70,365,000	21.41	1.9	a7.7
1897	1,640,209,519	71,704,000	22.87	1.9	6.8
1898	1,837,859,895	73,069,000	25.15	1.9	9.9
1899	1,904,071,881	74,433,000	25.58	1.9	1.7
1900	2,055,150,998	76,295,220	26.94	2.5	5.3
1901	2,175,307,962	77,754,000	27.98	1.9	3.8
1902	2,249,390,551	79,317,000	28.43	1.7	1.5
1903	2,371,130,803	80,487,000	29.45	1.7	3.5
Oct. 1, 1903	2,404,617,069	80,881,000	29.75	.4	1.0

a Decrease.

TRANSFERS FOR DEPOSITS IN NEW YORK.

The transfers of currency by telegraph against deposits in New York attract year by year no little attention. They are in largest

volume from July, and especially from August to December, inclusive. They constitute the direct requirements upon the Treasury to cover what is popularly styled money to move the crops, and payment is made in most marked sums to New Orleans to help market cotton and sugar, and to Chicago for grain. Small denominations are almost always wanted for local use in the producing districts and depositors find it most convenient to offer gold certificates for the exchange. As the denomination of $10 is now issued only in United States notes and those of $5 and below only in silver certificates, the result is that the Treasury gives out that kind of paper and receives gold in the form of certificates. Thus in 1902 deposits for this purpose in New York were $22,676,000, of which all but $397,000 was in representatives of the yellow metal. Of the gold certificates paid on this account in New Orleans and Chicago the largest share was in twenty-dollar bills. In 1903 deposits for like account have been made in Chicago for transfer to New Orleans, amounting to $200,000 to October 1.

This demand varies somewhat in recent seasons. After an advance from transfers of $15,258,500 in 1899 to $27,036,000 in 1900, it became $23,035,000 in 1901 and $22,676,000 in 1902. From January 1, to October 1, 1903, the transactions were $9,949,000, and thus less by $3,282,000 than for the like period in the previous calendar year.

The following tables give the deposits in New York in all months when any were received, and the resultant payments by telegraph in the several cities:

Transactions.	Gold coin and certificates.	United States notes.	Treasury notes.	Silver certificates.	Total.
1899—Receipts:					
In January	$713,500				$713,500
In March	10,000	$445,000	$45,000	$50,000	550,000
In August	850,000				850,000
In September	2,800,000	595,000		280,000	3,675,000
In October	3,965,000	262,500	7,500	60,000	4,295,000
In November	2,050,000	175,000			2,225,000
In December	2,950,000				2,950,000
Total	13,338,500	1,477,500	52,500	390,000	15,258,500
Paid by the Treasurer and assistant treasurers of the United States:					
Washington—					
In January				38,500	38,500
In March		380,000	170,000		550,000
In August	250,000				250,000
Total	250,000	380,000	170,000	38,500	838,500
Chicago—					
In August	600,000				600,000
In September	1,600,000				1,600,000
In October	2,400,000				2,400,000
In December	300,000				300,000
Total	4,900,000				4,900,000
St. Louis—					
In December	250,000				250,000
New Orleans—					
In January	150,000	248,900	50,400	225,700	675,000
In September	1,410,000	840,000		225,000	2,075,000
In October	1,565,000	262,500	7,500	60,000	1,895,000
In November	2,950,000	175,000			2,225,000
In December	2,050,000	225,000	90,000	35,000	2,400,000
Total	6,825,000	1,751,400	147,900	545,700	9,270,000

Transactions.	Gold coin and certificates.	United States coin.	Treasury notes.	Silver certificates.	Total.
1900—Receipts:					
In February	$1,500,000				$1,500,000
In March	600,000				600,000
In April	900,000				900,000
In July	150,000				150,000
In August	250,000				250,000
In September	5,567,000	$627,000		$391,000	6,585,000
In October	7,259,000	554,000	$51,000	407,000	8,251,000
In November	3,475,000			225,000	3,700,000
In December	4,903,000	12,000		185,000	5,100,000
Total	24,604,000	1,193,000	51,000	1,208,000	27,036,000
Paid by the Treasurer and assistant treasurers of the United States:					
Washington—					
In October	100,000	100,000			200,000
Chicago—					
In February	1,300,000				1,300,000
In March	600,000				600,000
In April	900,000				900,000
In September	500,000	100,000			600,000
In October	1,655,000	1,075,000		20,000	2,750,000
In November	500,000	500,000			1,000,000
In December	300,000	100,000			400,000
Total	5,755,000	1,775,000		20,000	7,550,000
St. Louis—					
In September	655,000	655,000		190,000	1,500,000
In October	1,058,000	574,000		118,000	1,750,000
In November	50,000	50,000			100,000
Total	1,763,000	1,279,000		308,000	3,350,000
New Orleans—					
In February	100,000	16,000	20,000	64,000	200,000
In July	150,000				150,000
In August	250,000				250,000
In September	4,155,000	195,000		135,000	4,485,000
In October	2,746,000	505,000		300,000	3,551,000
In November	2,375,000			225,000	2,600,000
In December	3,874,000	641,000		185,000	4,700,000
Total	13,650,000	1,357,000	20,000	909,000	15,936,000
1901—Receipts:					
In March	395,000	30,000			425,000
In April	200,000				200,000
In May	995,000	353,000		132,000	1,480,000
In June	348,000	40,000		82,000	470,000
In July	1,087,000	38,000		200,000	1,325,000
In August	3,251,500	128,500		70,000	3,450,000
In September	3,874,000			611,000	4,485,000
In October	3,525,000			440,000	3,965,000
In November	1,668,000	37,000		25,000	1,730,000
In December	5,208,000	215,000	10,000	72,000	5,505,000
Total	20,551,500	841,500	10,000	1,632,000	23,035,000
Paid by the Treasurer and assistant treasurers of the United States:					
Washington—					
In March				25,000	25,000
In May	200,000				200,000
In July				50,000	50,000
In September	100,000				100,000
In December		5,000		20,000	25,000
Total	300,000	5,000		95,000	400,000
Baltimore—					
In September				30,000	30,000
In October				25,000	25,000
Total				55,000	55,000
Cincinnati—					
In March	100,000				100,000
In October	35,000	17,500		17,500	70,000
Total	135,000	17,500		17,500	170,000

Transactions.	Gold coin and certificates.	United States notes.	Treasury notes.	Silver certificates.	Total.
Paid by the treasurer and assistant treasurer of the United States—Con.					
Chicago—					
In March	$100,000	$100,000			$200,000
In April	120,000	40,000		$40,000	200,000
In July	450,000	300,000		150,000	900,000
In August	1,592,000	880,000		678,000	3,150,000
In September	1,070,000	620,000		360,000	2,050,000
In November	100,000	50,000		50,000	200,000
In December	800,000	380,000		120,000	1,300,000
Total	4,232,000	2,370,000		1,398,000	8,000,000
St. Louis—					
In September	250,000	180,000		70,000	500,000
In October	150,000	90,000		60,000	300,000
Total	400,000	270,000		130,000	800,000
New Orleans—					
In March	50,000	50,000			100,000
In May	735,000	413,000		132,000	1,280,000
In June	308,000	80,000		82,000	470,000
In July	112,000	193,000		70,000	375,000
In August		180,000		120,000	300,000
In September	585,750	367,250		852,000	1,805,000
In October	1,875,000	670,000		1,025,000	3,570,000
In November	838,000	337,000		355,000	1,530,000
In December	3,091,000	555,000		534,000	4,180,000
Total	7,594,750	2,845,250		3,170,000	13,610,000
1902—Receipts:					
In January	650,000	40,000			690,000
In February	500,000				500,000
In March	700,000				700,000
In April	350,000				350,000
In May	975,000				975,000
In June	233,000			37,000	270,000
In July	2,280,000				2,280,000
In August	2,355,000	5,000		10,000	2,370,000
In September	5,096,000				5,096,000
In October	3,425,000	105,000			3,530,000
In November	2,310,000				2,310,000
In December	3,405,000	200,000			3,605,000
Total	22,279,000	350,000		47,000	22,676,000
Paid by the assistant treasurers of the United States:					
Cincinnati—					
In March	120,000	40,000		40,000	200,000
In April	185,000	115,000		50,000	350,000
In August	105,000	70,000		25,000	200,000
Total	410,000	225,000		115,000	750,000
Chicago—					
In February	200,000	200,000		100,000	500,000
In March	200,000	200,000		100,000	500,000
In July	640,000	180,000		280,000	1,100,000
In August	565,000	460,000		225,000	1,250,000
In September	910,000	535,000		355,000	1,800,000
In October	655,000	205,000		340,000	1,200,000
In November	250,000				250,000
In December	100,000				100,000
Total	3,520,000	1,780,000		1,400,000	6,700,000
New Orleans—					
In January	445,000	145,000		100,000	690,000
In May	725,000	160,000		90,000	975,000
In June	150,000	70,000		50,000	270,000
In July	730,000	260,000		190,000	1,180,000
In August	430,000	265,000		225,000	920,000
In September	1,825,000	834,000		637,000	3,296,000
In October	1,415,000	525,000		390,000	2,330,000
In November	1,640,000	225,000		195,000	2,060,000
In December	3,395,000	40,000		70,000	3,505,000
Total	10,755,000	2,524,000		1,947,000	15,226,000

Transactions.	Gold coin and certificates.	United States notes.	Treasury notes.	Silver certificates.	Total.
1903—Receipts:					
In January	$510,000				$510,000
In February	1,788,000	$12,000			1,800,000
In March	600,000				600,000
In April	280,000				280,000
In May	550,000				550,000
In June	1,324,000				1,324,000
In July	550,000			$5,000	555,000
In August	575,000				575,000
In September	3,755,000				3,755,000
Total	9,932,000	12,000		5,000	9,949,000
Paid by the Treasurer and assistant treasurers of the United States:					
Washington—					
In May	200,000				200,000
In July				100,000	100,000
Total	200,000			100,000	300,000
Chicago—					
In February	460,000	160,000		380,000	1,000,000
In March	80,000			20,000	100,000
In July	100,000				100,000
Total	640,000	160,000		400,000	1,200,000
New Orleans—					
In January	300,000	90,000		120,000	510,000
In February	600,000	130,000		70,000	800,000
In March	360,000	80,000		60,000	500,000
In April	280,000				280,000
In May	350,000				350,000
In June	1,304,000	20,000			1,324,000
In July	350,000			5,000	355,000
In August	575,000				575,000
In September	1,885,000	1,005,000		865,000	3,755,000
Total	6,004,000	1,325,000		1,120,000	8,449,000

EXCHANGE FOR GOLD RECEIVED AT WESTERN MINTS AND ASSAY OFFICES.

Gold deposited in the mints and assay offices is paid for in the case of the New York assay office by checks on the assistant treasurer in that city, and at other places by checks on local institutions, or on New York, Chicago, or San Francisco, as the depositors may elect. In the past fiscal year gold coin to the amount of $3,200,000 was transferred from San Francisco to local banks in Seattle for credit of the assay office there for such transactions. This sum was $1,900,000 greater than that used for the like purpose in the preceding twelve months. The proceeds of gold deposited with the mint at San Francisco may, at the option of the owner, be deposited with the assistant treasurer at that point. The exchange is paid in New York or Chicago on telegraphic notice of the deposit at the western offices.

These payments by transfer at San Francisco, Chicago, and New York, for the several offices, are reported for three fiscal years and first quarter of 1904, in the annexed table:

Exchange Paid for Gold Received at Western Mints and Assay Offices.

Exchange.	United States mint, Denver.	United States assay offices.			
		Boise.	Deadwood.	Helena.	Seattle.
ON CHICAGO.					
Fiscal year 1901.					
1900—July	$1,000,000	$150,000	$50,000	$200,000	
August	500,000	100,000		100,000	$400,000
September	500,000	150,000		100,000	400,000
October	1,000,000			200,000	
November	500,000	100,000	50,000	100,000	500,000
December	500,000	50,000		200,000	
1901—January	500,000	50,000		200,000	
February	500,000		50,000		
March	500,000	50,000		100,000	
April	500,000			100,000	
May	1,000,000	150,000	50,000	100,000	
June	500,000	100,000		100,000	
Total	7,500,000	900,000	200,000	1,500,000	1,300,000
Fiscal year 1902.					
1901—July	500,000	150,000	50,000	200,000	
August	500,000	100,000	50,000	100,000	200,000
September		100,000	50,000	100,000	200,000
October	500,000	150,000		100,000	
November		50,000	50,000	200,000	
December	500,000	100,000	50,000	100,000	
1902—January	500,000	100,000		100,000	
February	500,000	100,000		100,000	
March	500,000	50,000	50,000	100,000	
April	500,000	100,000	50,000	100,000	
May		100,000	50,000		
June	500,000	100,000	75,000	100,000	200,000
Total	4,500,000	1,150,000	475,000	1,300,000	600,000
Fiscal year 1903.					
1902—July	500,000	100,000	75,000		300,000
August	500,000	150,000	150,000		
September	658,773	100,000	75,000		
October	500,000	50,000	75,000		250,000
November	500,000	100,000	75,000		
December	500,000		75,000		
1903—January	500,000	50,000	75,000		
February	500,000	50,000	75,000		
March	500,000	50,000	75,000		
April	500,000	100,000	74,574		
May	500,000	50,000	75,000		
June	500,000	150,000	75,000		500,000
Total	6,158,773	950,000	974,574		1,050,000
Fiscal year 1904.					
1903—July	500,000	50,000	75,000		300,000
August	1,000,000	100,000			1,300,000
September		50,000	75,000		
Total	1,500,000	200,000	150,000		1,600,000

Exchange.	United States mints.		United States assay offices.	
	San Francisco.	Denver.	Charlotte.	Seattle.
ON NEW YORK.				
Fiscal year 1901.				
1900—July	$7,500,000	$985,000	$20,000	$2,000,000
August		1,017,000		3,000,000
September	3,000,000	565,000	20,000	2,000,000
October	10,000,000	1,066,000	40,000	3,000,000
November	5,000,000	698,000		
December		1,039,000	20,000	
1901—January	1,300,000	904,000	20,000	200,000
February		852,000		
March	1,000,000	1,087,000	20,000	
April		1,090,000	20,000	
May	1,900,000	860,000	20,000	
June		658,000		1,000,000
Total	28,800,000	10,821,000	180,000	11,200,000

EXCHANGE PAID FOR GOLD RECEIVED AT WESTERN MINTS AND ASSAY OFFICES—Continued.

Exchange.	United States mints.		United States assay offices.	
	San Francisco.	Denver.	Charlotte.	Seattle.
ON NEW YORK—continued.				
Fiscal year 1902.				
1901—July	$3,000,000	$625,000	$20,000	$3,000,000
August	4,000,000	920,000	20,000	2,500,000
September	5,000,000	665,000	20,000	1,000,000
October	3,000,000	879,000	20,000	3,500,000
November	5,500,000	810,000	20,000	
December		1,100,000	20,000	
1902—January		900,000	20,000	
February		1,000,000	20,000	
March		1,000,000	20,000	
April		900,000	20,000	
May		900,000	20,000	200,000
June		900,000	20,000	1,000,000
Total	20,500,000	10,599,000	240,000	11,200,000
Fiscal year 1903.				
1902—July	2,000,000	1,100,000	20,000	2,000,000
August	2,000,000	900,000	20,000	1,000,000
September	2,000,000	936,244	20,000	1,000,000
October		725,000	40,000	2,000,000
November		385,000		590,000
December		1,000,000	20,000	
1903—January		800,000	20,000	
February		600,000		
March		1,000,000	12,250	200,000
April		600,000	20,000	
May		800,000		
June		800,000	20,000	
Total	6,000,000	9,646,244	192,250	6,700,000
Fiscal year 1904.				
1903—July		900,000	20,000	5,000,000
August	2,000,000	600,000	20,000	1,000,000
September		400,000	20,000	2,000,000
Total	2,000,000	1,900,000	60,000	8,000,000

Exchange.	United States assay office at Helena.
ON PHILADELPHIA.	
Fiscal year 1903.	
1902—June	$100,000
Fiscal year 1903.	
1902—July	500,000
October	100,000
November	200,000
December	100,000
1903—February	100,000
March	100,000
April	100,000
May	200,000
Total	1,400,000
Fiscal year 1904.	
1903—July	100,000
August	750,000
Total	850,000

EXCHANGE PAID FOR GOLD RECEIVED AT WESTERN MINTS AND ASSAY OFFICES—Continued.

Exchange.	United States mint at Carson.	United States assay offices.	
		Boise.	Seattle.
ON SAN FRANCISCO.			
Fiscal year 1901.			
1900—July		$50,000	$500,000
August	$25,000	50,000	
September		50,000	
October	50,000	50,000	
November		50,000	
December		50,000	
1901 January		50,000	
February			
March	50,000	50,000	
April		50,000	
May		50,000	
June	50,000	100,000	
Total	175,000	600,000	500,000
Fiscal year 1902.			
1901—July		100,000	
August	50,000	50,000	
September		50,000	
October	50,000	100,000	
November			
December		100,000	
1902—January			
February		50,000	
March			
April	50,000	50,000	
May		50,000	
June		50,000	
Total	150,000	600,000	
Fiscal year 1903.			
1902—July	50,000		
August		50,000	
September		50,000	
October	50,000		
November		50,000	
1903—February		50,000	
March	50,000	50,000	
June	50,000	50,000	
Total	200,000	300,000	
Fiscal year 1904.			
1903—July		50,000	
August		50,000	
September		50,000	
Total		150,000	

CLASSIFICATION OF CURRENCY OF $20 AND BELOW AND ABOVE $20.

The changes effected during the year ended September 30, 1903, in the paper currency of $20 and below, resulted in an increase of $89,793,377, while only $10,440,300 was added to the paper of denominations above $20.

The variations in the denominations of the currency during the past five years are illustrated in the annexed table:

Denomination.	September 30—				
	1899.	1900.	1901.	1902.	1903.
Gold coin	$646,561,185	$620,047,309	$631,201,267	$624,728,060	$622,550,934
Paper currency:					
One dollar	57,810,855	61,528,399	67,679,561	74,371,228	81,500,145
Two dollars	35,983,321	38,967,286	42,801,259	44,574,381	47,613,948
Five dollars	291,845,505	298,136,679	310,570,049	342,478,389	356,727,582
Ten dollars	324,244,112	376,617,472	409,071,052	427,956,502	466,040,562
Twenty dollars	251,872,486	291,952,816	313,037,576	325,062,126	352,353,766
Total twenty dollars and under in paper	961,756,279	1,067,202,652	1,143,159,497	1,214,442,626	1,304,236,003
Aggregate twenty dollars and under in gold and paper	1,608,317,464	1,687,249,961	1,774,360,764	1,839,170,686	1,926,786,937
Fifty dollars	60,229,915	61,922,965	57,972,315	57,870,865	60,519,215
One hundred dollars	68,990,170	81,314,170	86,506,570	85,628,270	92,563,720
Five hundred dollars	21,647,500	22,104,750	23,229,500	21,959,000	20,878,500
One thousand dollars	68,923,500	78,788,500	73,011,500	72,892,500	73,124,500
Five thousand dollars	14,630,000	29,325,000	28,650,000	29,775,000	32,130,000
Ten thousand dollars	42,810,000	68,100,000	81,980,000	87,970,000	87,320,000
Total fifty dollars and over	277,231,085	341,555,385	351,349,885	356,095,635	366,585,935
Aggregate paper	1,238,987,364	1,408,758,037	1,494,509,382	1,570,538,261	1,670,771,938
Unknown, destroyed	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net paper	1,237,987,364	1,407,758,037	1,493,509,382	1,569,538,261	1,669,771,938
Aggregate gold and paper	1,884,548,549	2,027,805,346	2,124,710,649	2,194,266,321	2,292,322,872

KINDS OF CURRENCY.

The kinds of currency in circulation are shown below in their variations during the past three years and to October 1, 1903:

Kind.	July 1, 1901.	July 1, 1902.	July 1, 1903.	Oct. 1, 1903.
Gold coin	$629,790,765	$632,394,289	$621,311,201	$622,550,934
Gold certificates	247,036,359	306,399,009	377,258,559	394,097,659
Standard silver dollars	66,921,323	68,747,349	72,207,170	75,959,483
Silver certificates	429,643,556	446,557,662	454,733,013	458,522,216
Subsidiary silver coin	79,235,214	85,721,228	92,298,936	94,867,102
Treasury notes of 1890	47,524,538	29,802,776	19,076,648	17,335,208
United States notes	330,045,406	334,291,722	334,248,567	336,378,769
National-bank notes	345,110,801	345,476,516	399,996,709	404,905,698
Total	2,175,307,962	2,249,390,551	2,371,130,803	2,404,617,069

RATIO OF $10 AND LESS TO ALL PAPER.

A continual growth is marked in the ratio of the denomination of $10 and below to total paper, notwithstanding the large and constant increase in the volume of gold certificates, which are all of $20 and above. This growth hardly keeps pace with the demand for small notes. The change of all United States notes into $10, and of silver certificates into $5 and below, has proved of much public convenience. When this process shall reach its limit, as it can not fail to do in about two years, the question of further provision will force itself into immediate attention. The pressing demand for $10 notes can be met by an act of Congress authorizing the issue of gold certificates of that denomi-

nation, while the supply of $5 can be furnished by removing the restriction upon the volume of such notes permitted to national banks. Silver certificates can then settle into $1 and $2 and be adequate for the needs of the people.

The progress of change can be studied in the subjoined table, which exhibits the ratio of small notes to the total down to October 1, 1903:

Date.	Total paper currency.	Denominations of $10 and less.				
		One dollar.	Two dollars.	Five dollars.	Ten dollars.	Total.
July 1, 1897	$1,169,788,004	3.96	2.57	22.86	25.56	54.95
July 1, 1898	1,139,339,402	4.36	2.80	24.19	26.89	58.24
July 1, 1899	1,144,266,891	4.88	2.98	25.10	28.11	61.07
July 1, 1900	1,380,832,739	4.36	2.74	21.20	26.72	55.02
July 1, 1901	1,473,177,892	4.34	2.74	20.72	27.11	54.91
July 1, 1902	1,584,962,196	4.63	2.77	21.34	27.44	56.18
July 1, 1903	1,654,420,535	4.97	2.83	21.10	27.87	56.77
October 1, 1903	1,670,808,420	4.87	2.84	21.34	27.89	56.89

PAPER CURRENCY PREPARED FOR ISSUE.

To meet this constant pressure for small notes, strenuous effort is put forth to prepare in advance the currency for issue as called for. Large denominations go out in healthy measure, but while the number of pieces made ready has run up since 1890 by 379 per cent, their total value in the same interval has become greater by 227 per cent. The average value of each piece has fallen from $6.096 to $4.162.

The currency actually issued, notwithstanding this accumulated preparation, moves on with equal steps with it. The pieces put out in 1903 were greater than in 1890 by 281 per cent, while their value increased by 124 per cent. Each note issued is worth on the average $3.901. The movement presents interesting comparisons:

NUMBER OF PIECES OF PAPER CURRENCY PREPARED FOR ISSUE IN THE FISCAL YEARS 1890, 1895, 1900, 1902, AND 1903.

Fiscal year.	Number of notes and certificates.	Total value.	Average value.
1890	30,976,881	$188,846,000	$6.096
1895	56,012,500	296,816,000	5.299
1900	87,111,000	526,296,000	6.041
1902	136,721,000	591,580,000	4.326
1903	148,446,000	617,936,000	4.162

NUMBER OF PIECES OF PAPER CURRENCY ISSUED IN THE FISCAL YEARS 1890, 1895, 1900, 1902, AND 1903.

Fiscal year.	Number of notes and certificates.	Total value.	Average value.
1890	37,065,880	$245,142,000	$6.613
1895	55,932,798	301,805,983	5.395
1900	78,132,176	495,545,000	6.342
1902	116,697,874	466,908,000	4.000
1903	141,235,371	551,038,000	3.901

CURRENCY ISSUED AND REDEEMED.

The paper currency issued in the fiscal year 1902 was in number of pieces 27.8 per cent greater than in 1901, and in 1903 21 per cent greater than in 1902. In value the advance was 14.6 per cent from 1901 to 1902, and 18 per cent from 1902 to 1903. The addition to the number of pieces from 1901 to 1903 was 42,944,340.

In the first quarter of 1904 the number of pieces issued was 1,297,159 greater than in the same period of the preceding year. In value the advance was $7,670,000.

UNITED STATES PAPER CURRENCY ISSUED DURING THE FISCAL YEARS 1902 AND 1903.

Month.	Fiscal year 1902.			Fiscal year 1903.		
	Number of notes and certificates.	Amount.	Average value of notes and certificates.	Number of notes and certificates.	Amount.	Average value of notes and certificates.
July	8,954,571	$38,438,000	$4.292	11,620,563	$50,582,000	$4.352
August	9,325,791	38,666,000	4.146	10,680,778	37,544,000	3.515
September	8,319,435	33,366,000	4.010	11,436,384	41,468,000	3.626
October	9,852,562	45,840,000	4.652	10,952,975	41,058,000	3.748
November	9,895,477	35,906,000	3.628	10,385,757	40,134,000	3.864
December	10,059,405	35,134,000	3.492	12,641,119	49,186,000	3.890
January	10,036,329	45,722,000	4.555	12,680,040	64,468,000	5.084
February	8,757,817	35,986,000	4.109	10,064,661	39,618,000	3.936
March	10,565,535	40,454,000	3.829	12,278,466	47,792,000	3.892
April	10,392,840	42,744,000	4.055	11,158,476	47,128,000	4.223
May	10,508,937	38,302,000	3.644	12,158,576	45,252,000	3.721
June	10,029,175	36,350,000	3.624	15,177,576	46,808,000	3.084
Total	116,697,874	466,908,000	4.000	141,235,371	551,038,000	3.901
Per cent of increase over preceding year	27.8	14.6	.....	21.0	18.0	.....

UNITED STATES PAPER CURRENCY ISSUED DURING THE FIRST QUARTER OF 1903 AND OF 1904.

Month.	First quarter fiscal year 1903.			First quarter fiscal year 1904.		
	Number of notes and certificates.	Amount.	Average value of notes and certificates.	Number of notes and certificates.	Amount.	Average value of notes and certificates.
July	11,620,563	$50,582,000	$4.352	10,791,230	$46,644,000	$4.322
August	10,680,778	37,544,000	3.515	12,014,604	45,224,000	3.764
September	11,436,384	41,468,000	3.626	12,229,050	45,396,000	3.712
Total	33,737,725	129,594,000	3.841	35,034,884	137,264,000	3.917

REDEMPTIONS.

The redemptions follow at only a short distance the issues of Government paper. The increase in pieces from 1901 to 1902 was 23.6 per cent, and in the year ended July 1 last was 22.1 per cent. The addition from the first named year to the last was 41,512,029 pieces.

In the first quarter of 1904 the number of pieces redeemed was 7,801,939 greater than in the first quarter of 1903, while in value the increase was $23,348,000.

UNITED STATES PAPER CURRENCY REDEEMED DURING THE FISCAL YEARS 1902 AND 1903.

Month.	Fiscal year 1902.			Fiscal year 1903.		
	Number of notes and certificates.	Amount.	Average value of notes and certificates.	Number of notes and certificates.	Amount.	Average value of notes and certificates.
July	7,397,907	$36,201,000	$4.893	10,025,308	$39,196,000	$3.909
August	7,271,907	32,624,000	4.486	8,727,818	33,633,000	3.968
September	4,969,699	25,367,600	5.104	7,864,792	31,445,000	3.997
October	7,513,328	29,975,000	3.989	9,164,574	36,640,520	3.998
November	7,751,997	29,886,000	3.855	8,481,953	31,214,000	3.680
December	8,513,277	33,583,000	3.944	10,513,331	41,848,500	3.980
January	10,453,793	40,846,000	3.907	13,823,007	54,171,000	3.918
February	9,962,214	36,255,000	3.639	10,797,989	41,764,000	3.868
March	8,788,671	33,730,000	3.837	10,405,014	42,510,000	4.085
April	9,242,290	35,341,000	3.823	10,853,878	41,709,200	3.842
May	9,448,680	36,318,000	3.843	11,256,526	46,915,000	4.167
June	9,346,931	37,957,000	4.050	10,992,394	47,512,000	4.322
Total	100,660,694	408,083,600	4.054	122,906,584	488,558,220	3.975
Per cent of increase from preceding year	23.6	13.7		22.1	19.7	

UNITED STATES PAPER CURRENCY REDEEMED DURING THE FIRST QUARTER OF 1903 AND OF 1904.

Month.	First quarter fiscal year 1903.			First quarter fiscal year 1904.		
	Number of notes and certificates.	Amount.	Average value of notes and certificates.	Number of notes and certificates.	Amount.	Average value of notes and certificates.
July	10,025,308	$39,196,000	$3.909	12,722,522	$45,445,000	$3.572
August	8,727,818	33,633,000	3.968	11,537,657	42,742,000	3,704
September	7,864,792	31,445,000	3.997	10,159,678	39,435,000	3,881
Total	26,617,918	104,274,000	3.917	34,419,857	127,622,000	3,707

PERCENTAGE OF VALUE OF NOTES AND CERTIFICATES.

Of the total Government paper outstanding 32.1 per cent was redeemed in 1901. The next fiscal year the redemptions were 34.6 per cent of the outstanding. In 1903 they became 39.3 per cent.

In the small denominations, in 1901 $1 to the percentage of 65.3 were redeemed; in 1902, 74 per cent, and in 1903, 78.5 per cent. Redemptions of $2 ran up in these years from 57.2 to 68 to 72.1 per cent.

Curious students of the currency may find interest in the tables of the redemptions by months in the past two years.

PERCENTAGE OF OUTSTANDING GOVERNMENT PAPER CURRENCY OF EACH DENOMINATION REDEEMED EACH MONTH OF THE FISCAL YEARS 1901 AND 1902.

Denomination.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June.	Total.
1902.													
One dollar	5.7	5.7	3.7	5.8	6.1	6.5	7.3	7.9	6.8	6.9	6.7	6.7	74.0
Two dollars	5.1	4.8	3.2	5.0	5.5	5.9	6.7	7.3	6.1	6.3	6.1	6.0	68.0
Five dollars	3.5	3.3	2.2	3.2	3.0	3.3	4.9	3.7	3.4	3.8	4.2	4.0	41.2
Ten dollars	2.8	2.4	1.6	2.2	2.1	2.6	3.6	2.7	2.5	2.8	3.0	2.9	31.1
Twenty dollars	1.9	1.7	1.2	1.5	1.5	1.6	2.4	1.9	1.7	2.0	2.0	2.0	22.1
Fifty dollars	1.8	1.9	1.5	2.1	2.1	2.1	2.3	1.7	1.9	1.9	1.9	1.9	23.7
One hundred dollars	1.9	1.8	1.4	1.7	1.7	1.8	1.8	1.4	1.4	1.6	1.5	1.7	19.8
Five hundred dollars	1.1	1.7	5.3	1.9	3.4	2.4	2.0	1.2	1.1	1.4	1.4	1.3	25.3
One thousand dollars	1.7	4.8	1.6	1.3	1.2	1.4	1.5	1.4	0.8	0.9	0.9	1.0	19.0
Five thousand dollars	0.1	0.0	0.2	0.1	0.2	0.3	0.2	0.1	0.2	0.1	0.1	0.6	2.4
Ten thousand dollars	8.4	3.1	6.6	3.6	3.6	4.2	1.2	3.5	4.6	2.9	2.3	4.4	46.6
Total	3.2	2.8	2.2	2.6	2.5	2.8	3.5	3.1	2.8	3.0	3.0	3.2	34.6

PERCENTAGE OF OUTSTANDING GOVERNMENT PAPER CURRENCY OF EACH DENOMINATION REDEEMED EACH MONTH OF THE FISCAL YEARS 1902 AND 1903—Continued.

Denomination.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June.	Total.
1903.													
One dollar	7.1	6.3	5.7	6.6	6.0	7.0	9.1	7.6	7.4	7.4	7.3	6.4	78.5
Two dollars	6.1	5.4	4.9	5.9	5.2	6.2	8.1	6.5	6.4	6.4	6.4	6.6	72.1
Five dollars	4.6	3.6	3.0	3.3	3.2	4.4	5.7	4.2	3.8	4.2	4.7	4.7	49.8
Ten dollars	3.0	2.5	2.0	2.3	2.2	2.9	4.6	2.8	2.5	3.0	3.4	3.5	34.6
Twenty dollars	2.0	1.7	1.5	1.6	1.5	1.8	2.9	2.6	1.7	2.1	2.3	2.6	23.6
Fifty dollars	2.1	1.8	1.8	2.7	1.7	2.3	2.1	2.1	2.2	2.0	2.2	2.2	25.0
One hundred dollars	1.9	1.8	1.8	3.1	1.9	2.2	2.0	1.8	1.9	1.9	1.9	2.0	23.3
Five hundred dollars	1.6	1.4	2.3	1.5	1.4	1.8	2.4	1.3	2.5	2.1	1.9	1.6	22.6
One thousand dollars	1.1	0.9	0.8	1.5	0.7	1.2	1.6	0.7	1.6	1.5	1.2	0.9	14.5
Five thousand dollars	0.5	0.1	0.1	0.4	0.1	0.3	0.5	0.4	0.6	0.7	0.6	0.5	5.5
Ten thousand dollars	3.0	3.5	4.9	5.6	3.0	5.3	3.3	5.3	8.2	3.4	6.1	6.5	60.5
Total	3.2	2.8	2.6	3.0	2.5	3.4	4.3	3.4	3.4	3.3	3.7	3.8	39.3

SHIPMENTS OF CURRENCY FROM WASHINGTON.

The activity of the central office of the Treasury has been marked during the past fiscal year. The task of shipping currency is a type of business in other branches. The packages shipped were 68,449 against 59,891 in 1902, an increase of 14.2 per cent, and the money was $459,245,112 in the last year against $387,319,888, an increase of 18.5 per cent.

The comparison of two years follows:

SHIPMENTS OF MONEYS FOR FISCAL YEAR 1902.

[Cents are omitted in this table.]

Month.	Registered mail.		Assistant treasurers.		Banks and others.		Total by express.	
	Number of packages.	Amount.	Number of packages.	Amount.	Number of packages.	Amount.	Number of packages.	Amount.
1901.								
July	886	$53,214	983	$23,942,000	2,595	$7,477,307	3,578	$31,419,307
August	924	56,390	1,086	24,136,000	2,694	8,011,868	3,780	32,142,868
September	789	41,569	883	22,782,000	2,623	8,207,557	3,506	30,989,557
October	1,037	61,518	930	25,984,000	3,378	11,762,511	4,308	37,746,511
November	951	55,015	869	18,950,000	3,187	11,747,264	4,056	30,697,264
December	985	39,019	788	16,524,000	3,557	13,485,012	4,345	30,009,012
1902.								
January	1,283	67,822	1,129	23,994,000	3,098	9,779,980	4,227	33,773,980
February	989	50,793	857	18,092,000	2,715	9,683,867	3,572	27,775,867
March	1,040	54,555	1,246	25,510,000	3,058	9,917,929	4,304	35,427,929
April	1,052	59,832	1,187	26,802,000	3,013	10,319,066	4,200	37,121,066
May	973	68,122	1,065	19,470,000	3,054	10,463,514	4,119	29,933,514
June	891	42,048	957	17,580,000	3,139	12,055,506	4,096	29,635,506
Total	11,800	640,502	11,980	263,768,000	36,111	122,911,386	48,091	386,679,386

RECAPITULATION.

	No. of packages.	Amount.
Registered mail	11,800	$640,502
Express	48,091	386,679,386
Total	59,891	387,319,888

SHIPMENTS OF MONEYS FOR FISCAL YEAR 1903.

[Cents are omitted from this table.]

Month.	Registered mail.		Assistant treasurers.		Banks and others.		Total express.	
	Number of packages.	Amount.	Number of packages.	Amount.	Number of packages.	Amount.	Number of packages.	Amount.
1902.								
July	972	$52,029	1,336	$34,486,000	3,155	$11,653,116	5,463	$46,191,138
August	914	48,514	1,148	23,961,000	3,260	10,571,839	5,422	34,581,353
September	1,010	66,615	1,191	24,467,000	3,671	11,143,519	5,872	35,677,134
October	1,114	58,083	905	22,620,000	3,828	12,329,472	5,847	35,007,555
November	942	53,840	722	21,828,000	3,472	12,737,296	5,136	34,619,136
December	1,201	47,758	1,024	24,049,000	4,258	16,062,651	6,483	40,159,409
1903.								
January	1,198	74,221	1,302	28,368,000	3,674	14,415,094	6,074	42,857,315
February	1,005	57,320	1,157	25,154,000	2,806	9,840,053	4,968	35,051,373
March	1,123	58,772	1,206	28,552,000	3,627	13,730,082	5,956	42,340,854
April	1,104	53,469	990	25,740,000	3,522	12,958,255	5,616	38,751,724
May	1,096	50,609	1,270	25,528,000	3,396	12,594,349	5,672	38,172,958
June	1,086	61,543	1,230	21,606,000	3,704	14,167,626	5,940	35,835,163
Total	12,595	682,766	13,481	306,359,000	42,373	152,203,346	68,449	459,245,112

RECAPITULATION.

	Number of packages.	Amount.
Registered mail	12,595	$682,766
Express	55,854	458,562,346
Total	68,449	459,245,112

REDEMPTIONS AND EXCHANGES.

A new record was made during the past fiscal year in the receipt of all kinds of money for redemption and exchange. The amount paid for was $864,503,561, an increase of $141,228,315 over the preceding year. Gold coin and certificates were freely used in making payments, as $120,658,210 more in this form was paid over the counter than received.

The kinds of money received and paid at Treasury offices on account of redemptions and exchanges during the fiscal year 1903 were:

RECEIPTS.

Account.	Kinds of money received by Treasury offices.				
	Gold coin and certificates.	Silver coin and certificates.	United States notes and Treasury notes.	National-bank notes and minor coin.	Total.
Receipts for currency outstanding June 30, 1902	$70,761	$1,243,139	$778,261	$48,064	$2,140,225
Moneys received during the year	208,777,086	387,486,013	103,405,749	165,327,621	864,996,469
	208,847,847	388,729,152	104,184,010	165,375,685	867,136,694
Less outstanding receipts, June 30, 1903	157,920	1,723,995	692,886	58,332	2,633,133
Net receipts for which payments were made	208,689,927	387,005,157	103,491,124	165,317,353	864,503,561

PAYMENTS.

Account.	Kinds of money paid by Treasury offices.					
	Transfer checks.	Gold coin and certificates.	Silver coin and certificates.	United States notes and Treasury notes.	National-bank notes and minor coin.	Total.
For gold coin and certificates	.....	$186,655,522	$16,174,938	$3,589,944	$2,268,523	$208,689,927
For silver coin and certificates	$248,267	129,285,242	242,850,251	14,240,623	627,666	387,005,157
For United States notes and Treasury notes	.....	8,267,247	26,578,469	67,843,269	802,139	103,491,124
For national-bank notes and minor coin	63,567,981	5,166,126	82,501,139	13,672,858	409,249	165,317,353
Total	63,816,248	329,378,137	368,144,900	99,046,699	4,117,577	864,503,561

CURRENCY FOR THE PHILIPPINES.

From the beginning of the occupation of the Philippine Islands to August 16, 1903, moneys for use there have been paid by the assistant treasurer in San Francisco to various disbursing officers to the aggregate of $35,504,050. Of this sum $8,173,000 has been shipped since September 15, 1902. No data exist by which a conclusion can be reached of the part of these moneys which has been returned, but it is known that considerable sums have come back in various forms.

The first table subjoined presents the kinds of money constituting the whole amount shipped:

In gold coins:		
Double eagles	$3,025,000	
Eagles	5,550,000	
Half eagles	5,120,000	
		$13,695,000
Standard silver dollars		599,500
Subsidiary silver coins:		
Halves	292,500	
Quarters	260,000	
Dimes	176,200	
		728,700
Minor coins:		
Five-cent nickel	49,800	
One-cent bronze	12,590	
		62,390
Paper currency:		
Treasury notes of 1890	200,000	
United States notes	9,760,000	
Gold certificates	4,035,000	
Silver certificates	6,423,460	
		20,418,460
Total		35,504,050

The increase in the several kinds and denominations over the amount stated in the Treasurer's report up to September, 1902, is:

In gold coins:		
Double eagles	$1,515,000	
Eagles	1,390,000	
Half eagles	500,000	
		$3,405,000
Subsidiary silver coins:		
Halves	10,500	
Quarters	11,000	
Dimes	4,400	
		25,900

Minor coins:		
Five cent, nickel	$2,600	
One cent, bronze	1,040	
		$3,640
Paper currency:		
Gold certificates	2,295,000	
Silver certificates	1,003,460	
United States notes	1,440,000	
		4,738,460
Total		8,173,000

REDEMPTION OF NATIONAL-BANK NOTES.

During the year national-bank notes to the amount of $196,429,621, or 51.21 per cent of the average amount of such notes outstanding, were presented for redemption. The increase over the previous year was $24,560,363, or 14.29 per cent. The amount redeemed during the first six months was $84,433,102, and $111,996,519 the last six months. The smallest and largest monthly redemptions were $11,242,551 and $24,364,960, respectively. The former occurred in September, the latter in January. The principal sums were received from New York, Boston, Chicago, and Philadelphia, and arranged in the order of these cities were: $98,550,000, $19,543,000, $18,739,000, and $14,306,000, constituting $151,138,000, or 76.94 per cent of the total redemptions.

The denominations of the notes were represented in the redemptions by the following percentages: $5 notes were 38.68 per cent of the whole, $10 notes 42.01 per cent, $20 notes 16.74 per cent, and $50 and $100 notes 2.57 per cent. Of the average amount of $5 notes outstanding, there was 55.06 per cent redeemed; of the $10 notes, 45.89 per cent; of the $20 notes, 49.09 per cent; of the $50 notes, 61.37 per cent; of the $100 notes, 72.59 per cent. These figures show that the $10 and $20 notes are less frequently redeemed than are the other denominations.

The notes redeemed were paid for in the following manner: $95,919,863.47 in United States currency and $47,084.45 in silver coin by express, $63,546,511.10 in checks on the subtreasury offices by mail, and $36,847,734.26 credited in accounts with this office.

The redeemed notes assorted during the year amounted to $193,439,781.50. Those fit for circulation, amounting to $62,563,430, were forwarded by express to the respective banks of issue, and those unfit for circulation were delivered to the Comptroller of the Currency, $104,604,265.50 of which were for destruction and reissue and $26,272,086 for retirement under the various provisions of law.

At the close of the year there were 5,005 active national banks out of 6,862 that had been granted charters during the existence of the national system. The net increase in the number of banks during the year was 492. The circulating notes outstanding at the close of the year amounted to $413,670,650, an increase of $56,998,559, or 15.98 per cent during the year.

The fund for the retirement of the notes of national banks failed, in liquidation, and reducing circulation was reduced $2,018,661. The deposits for the fund amounted to $27,210,255.50, and the balance at the close of the year was $40,053,308.50.

Expenses were incurred to the amount of $174,477.62, of which $67,998.88 was for transportation. The rate of expense per $1,000 of notes assorted was $0.90262.

The amount of national bank notes presented for redemption during the first three months of the fiscal year 1904, was $58,640,607, an increase of $18,848,806 as compared with $39,791,201 presented in the corresponding three months of the fiscal year 1903. The redeemed notes assorted and delivered in the same months amounted to $55,935,258 in 1904 and $35,591,645 in 1903, an increase of $20,343,613.

EXCHANGE OF PORTO RICAN COINS.

The substitution of the coins of the United States for coins of Porto Rico in circulation in that island, under the Act of April 12, 1900, was continued, in small amounts, in the fiscal year 1903.

The total exchanges from May 1, 1900, when the Act of April 12, 1900, took effect, to June 30, 1903, was 5,734,287.97 pesos, for which was paid $3,440,572.78 in United States currency.

Of the Porto Rican coins so exchanged, there were 5,700,161.22 pesos in silver and 34,126.75 in bronze.

MOVEMENT OF STANDARD DOLLARS.

The shipments of standard dollars in 1903 varied from those of 1902 by only $777,829, and that was an increase. The rate for transportation was $2.03 per $1,000 against $1.99 in the twelve months before. The table shows the business by months:

	1902.	1903.	1904.
July	$2,678,935	$2,965,341	$3,015,158
August	3,936,861	4,318,313	3,497,622
September	6,094,118	6,811,242	5,900,565
First quarter	$12,709,914	$14,124,896	$12,413,345
October	6,882,795	5,619,442	
November	3,918,941	[illegible]	
December	3,626,259	[illegible]	
January	1,787,443	[illegible]	
February	1,790,542	[illegible]	
March	2,234,217	[illegible]	
April	2,273,471	[illegible]	
May	2,406,891	[illegible]	
June	2,773,852	[illegible]	
Total	40,404,325	41,182,154	

EXCHANGE OF STANDARD DOLLARS.

The standard silver dollars presented at the Treasury offices for exchange during the past fiscal year show a decrease of $1,474,356 as compared with the preceding twelve months.

The exchanges exceeded the shipments in 1901 by $1,386,402, in 1902 by $2,710,690, and in 1903 by $458,505.

The details are for two fiscal years and the first quarter of 1904.

Offices.	Fiscal year— 1902.	1903.	1904, first quarter.
Washington	$1,263,986	$1,409,784	$337,106
Baltimore	1,496,290	1,546,890	283,770
New York	5,614,360	5,131,427	1,314,476
Philadelphia	2,825,399	3,595,664	1,008,068
Boston	3,792,110	1,654,990	449,180
Cincinnati	3,614,790	4,079,340	1,152,665
Chicago	8,638,055	9,269,451	2,284,198
St. Louis	8,138,248	7,805,175	1,995,770
New Orleans	4,372,150	4,706,750	942,500
San Francisco	3,329,627	2,441,188	461,811
Total	43,115,015	41,640,659	10,229,544

MOVEMENT OF SUBSIDIARY COINS.

The movement of subsidiary silver in 1903 exceeded by $2,240,485.65 that of the year before. The amount in circulation advanced to $92,298,936, which was $6,577,708 more than twelve months earlier.

In addition to these shipments, payments of subsidiary silver for various purposes during the year amounted to more than $26,600,000.

The shipments were by months:

	1902.	1903.	1904.
July	$1,810,156.40	$1,944,552.60	$2,044,766.40
August	2,173,351.20	2,556,552.00	2,306,490.80
September	2,682,992.90	3,366,228.50	3,084,579.00
First quarter	6,666,500.50	7,867,333.10	7,435,836.20
October	2,771,233.85	2,820,690.55	
November	2,086,705.10	2,094,113.20	
December	1,925,380.00	2,112,150.50	
January	871,143.60	937,315.15	
February	1,000,413.90	1,172,003.10	
March	1,384,847.15	1,558,940.40	
April	1,555,544.00	1,716,839.00	
May	1,696,593.25	1,766,619.75	
June	1,913,598.00	2,066,439.90	
Total	21,871,959.35	24,112,444.65	

REDEMPTION OF SUBSIDIARY COINS.

The subsidiary coins presented for redemption show an increase of $1,947,614, which is 4.9 per cent as compared with the fiscal year 1902.

The statement by offices is subjoined:

Offices.	Fiscal year—		
	1902.	1903.	1904, first quarter.
Washington	$1,740,158	$1,880,818	$480,306
Baltimore	2,382,870	2,509,780	632,140
New York	16,084,303	16,279,882	4,472,448
Philadelphia	4,978,954	5,832,906	1,604,776
Boston	1,517,730	1,467,620	479,560
Cincinnati	1,767,705	1,924,575	527,280
Chicago	4,292,828	4,593,434	1,241,530
St. Louis	3,483,381	3,437,580	921,143
New Orleans	1,009,060	1,050,715	192,800
San Francisco	1,754,641	1,981,934	547,257
Total	39,011,630	40,959,244	11,099,240

ADVANCE IN VOLUME OF MINOR COINS.

In order to meet the calls of business, the Mint Bureau has added to the coinage and the remelting of minor coins. An addition of $895,354.93 was made to the bronze cents coined and of $1,589,336.25 to the 5-cent pieces coined, while an increase of $164,780 took place in the latter coins remelted. The old-fashioned small coins are disappearing, but very slowly. Bronze cents outstanding at the beginning of this fiscal year were $867,231.76 more than twelve months before and 5-cent nickels were $1,424,556.25 more.

On June 30, 1902, and 1903, respectively, the conditions were as shown below:

Denomination.	Fiscal year 1902.		
	Coined.	Remelted.	Outstanding June 30, 1902.
Copper cents	$1,562,887.44	$379,540.51	$1,183,346.93
Copper half cents	39,926.11		39,926.11
Copper nickel cents	2,007,720.00	797,168.61	1,210,551.39
Bronze cents	11,602,668.24	160,249.35	11,442,418.89
Bronze 2-cent pieces	912,020.00	337,671.72	574,348.28
Nickel 3-cent pieces	905,768.52	277,846.36	627,922.16
Nickel 5-cent pieces	20,900,342.70	1,699,739.60	19,200,603.10
Total	37,931,353.01	3,652,216.15	34,279,116.86

Denomination.	Fiscal year 1903.		
	Coined.	Remelted.	Outstanding June 30, 1903.
Copper cents	$1,562,887.44	$379,633.59	$1,183,253.85
Copper half cents	39,926.11		39,926.11
Copper nickel cents	2,007,720.00	798,392.36	1,209,327.64
Bronze cents	12,498,023.17	188,372.52	12,309,650.65
Bronze 2-cent pieces	912,020.00	337,943.72	574,076.28
Nickel 3-cent pieces	905,768.52	278,967.61	626,800.91
Nickel 5-cent pieces	22,489,678.95	1,864,519.60	20,625,159.35
Total	40,416,024.19	3,847,829.40	36,568,194.79

MOVEMENT OF MINOR COINS.

Minor coins were shipped in 1903 to an amount greater than in 1902 by $440,516.81, and the cost for transportation in 1903 was $10,419.38 more. The rate per $1,000 in 1902 was $21.42 and $21.74 in 1903.

The business by offices is thus reported:

Office.	Fiscal year 1902.		Fiscal year 1903.	
	Amount.	Expense of transportation.	Amount.	Expense of transportation.
Washington	$17,549.40	$239.20	$38,661.20	$601.97
Baltimore	22,605.00	256.60	33,035.00	396.00
Boston	106,340.00	1,063.50	142,390.00	1,424.60
Chicago	3,911.17	1,061.24	156,714.60	4,655.98
Cincinnati	103,535.00	1,047.55	184,038.80	1,852.89
New Orleans	75,135.00	944.85	124,285.00	1,307.80
New York	189,285.00	2,953.35	275,481.00	2,573.70
Philadelphia	405.00	4,864.25	118,425.00	7,597.20
San Francisco	69,855.00	869.56	94,115.00	1,148.15
St. Louis	223,275.30	4,009.40	293,815.00	4,710.35
Mint, Philadelphia	1,872,798.17	40,222.01	1,664,250.25	41,682.25
Total	2,684,694.04	57,531.51	3,125,210.85	67,950.89

Office.	First quarter of 1903.		First quarter of 1904.	
	Amount.	Expense of transportation.	Amount.	Expense of transportation.
Washington	$10,525.00	$179.70	$42,410.00	$870.25
Baltimore	10,365.00	134.05	10,500.00	129.30
Boston	37,195.00	372.45	45,350.00	453.75
Chicago	1,495.00	37.55	134,710.64	1,842.70
Cincinnati	31,150.00	316.00	65,775.00	675.40
New Orleans	41,665.00	442.40	50,850.00	554.05
New York	81,875.00	730.30	85,515.00	813.10
Philadelphia	100.00	1.00	112,140.00	1,738.15
San Francisco	32,175.00	398.70	32,630.00	401.55
St. Louis	84,550.00	1,414.30	99,390.00	1,641.80
Mint, Philadelphia	508,525.00	10,367.12	157,880.00	8,703.12
Total	839,620.00	14,393.57	837,150.64	17,823.17

REDEMPTION OF MINOR COINS.

The minor coins redeemed during the year show an increase of $194,811 over the preceding twelve months, and this is 4.2 per cent. The details follow:

Offices.	Fiscal year—		
	1902.	1903.	1904, first quarter.
Washington	$232,902	$250,154	$69,456
Baltimore	570,270	619,690	161,880
New York	1,994,805	2,033,967	571,050
Philadelphia	621,757	628,612	171,429
Boston	171,150	236,430	66,060
Cincinnati	266,547	273,022	75,205
Chicago	379,872	475,738	113,377
St. Louis	268,498	194,540	61,870
New Orleans	48,459	36,180	12,200
San Francisco	21,298	22,036	7,380
Total	4,575,558	4,770,369	1,309,907

RECOINAGE IN THE FISCAL YEAR 1903.

Gold coins worn so as to need remintage were in 1903 more in value by $166,902.50 than in 1902, and silver coins less by $322,362.68. Minor coins were more by $1,572.50.

Denomination.	1902.		1903.	
	Face value.	Loss.	Face value.	Loss.
Double eagles	$312,980.00		$285,820.00	
Eagles	160,900.00		409,080.00	
Half eagles	319,765.00		257,680.00	
Quarter eagles	9,797.50		17,260.00	
Three-dollar pieces	27.00		174.00	
One-dollar pieces	96.00		454.00	
Total gold	803,565.50	$6,259.08	970,468.00	$9,559.54
Half dollars	1,187,489.00		1,300,351.50	
Quarter dollars	1,075,397.00		931,147.25	
Twenty-cent pieces	215.40		234.40	
Dimes	768,981.40		777,515.40	
Half dimes	1,301.55		1,689.05	
Three-cent pieces	52.71		136.78	
Total silver	3,333,437.06	191,889.02	3,011,074.38	191,712.16
Minor coins	194,040.75		195,613.25	
Aggregate	4,331,043.36	198,148.10	4,177,155.63	201,271.70

SPURIOUS ISSUES DETECTED IN 1903.

In all kinds of paper currency more counterfeits were detected in 1903 than in the year before. This is the record:

Denomination.	Minor coins.	Fractional currency.	Silver coins.	Gold coins.	United States notes.
One cent	$647.26				
Three cents	.09				
Five cents	115.10				
Ten cents		$9.50	$432.10		
Twenty-five cents		20.00	1,061.50		
Fifty cents		260.50	1,172.50		
One dollar			2,013.00	$7.00	$25.00
Two dollars					36.00
Quarter eagles				35.00	
Five dollars				35.00	255.00
Ten dollars				30.00	410.00
Twenty dollars				20.00	840.00
Fifty dollars					1,850.00
One hundred dollars					200.00
Total	762.45	281.00	4,688.10	127.00	3,616.00

Denomination.	Treasury notes of 1890.	National-bank notes.	Gold certificates.	Silver certificates.	Total.
One cent					$647.26
Three cents					.09
Five cents					115.10
Ten cents					432.60
Twenty-five cents					1,084.50
Fifty cents					1,433.00
One dollar	$2.00			$7.00	2,060.00
Two dollars	30.00	$64.00		156.00	286.00
Quarter eagles					35.00
Five dollars	40.00	745.00		260.00	1,335.00
Ten dollars		760.00		620.00	1,820.00
Twenty dollars		620.00	$20.00	40.00	1,540.00
Fifty dollars		50.00			1,900.00
One hundred dollars		500.00			700.00
Total	72.00	2,739.00	20.00	1,083.00	13,388.55

Four compound-interest notes and four $7\frac{3}{10}$-interest notes were rejected at this office.

TRUST FUNDS, CENTRAL PACIFIC RAILROAD.

Since August 1, 1902, the date of the last statement by the Treasurer on the subject, two payments have been made on the notes of the Central Pacific Railroad Company held by the Department. These were on January 31, 1903, $2,940,635.78 and on August 1, 1903, $2,940,635.78, a total of $5,881,271.56. Bonds of the company held as collateral were released at the time of each payment.

The balance of the notes held by the Treasury, yet to become due, was on August 1, 1903, $32,346,993.58, secured by first mortgage bonds of the company for $32,347,000.

SPECIAL TRUST FUNDS.

Of bonds of several of the States held by the Treasurer as custodian under an act approved August 15, 1894, payment was made by the State of South Carolina for $125,000 and by the State of Virginia for $594,800. On March 6, 1903, bonds of the State of South Carolina for $125,000 were forwarded to the governor of South Carolina. On April 6, 1903, bonds of the State of Virginia for $581,800 and Chesapeake and Ohio Canal bonds, guaranteed by Virginia, for $13,000 were forwarded to the governor of Virginia.

No other changes have taken place in the special trust funds, and they stand:

Louisiana State bonds	$37,000.00
North Carolina State bonds	58,000.00
Tennessee State bonds	335,666.66⅔
Total	430,666.66⅔

United States bonds are held by the Treasurer, under specific provisions of law, as follows:

American Printing House for the Blind, 4 per cent	$250,000
Manhattan Savings Institution, 4 per cent	75,000
North American Commercial Company, 2 per cent	50,000
Total	375,000
Captured bonds of the State of Louisiana, held for the Secretary of War	545,480
A package sealed and said to contain Spanish "certificates of inscriptions," held for the Secretary of State	600,000
Consols of 1930, held for the Secretary of War	5,000

DISTRICT OF COLUMBIA.

The transactions of the Treasurer of the United States, ex officio commissioner of the sinking fund of the District of Columbia, pertaining to the affairs of the District, are fully set forth in a separate report.

During the year 3.65 per cent bonds for $3,500 were issued and sold to the sinking fund at 121 flat and the proceeds applied to the payment of a judgment of the Court of Claims against the District. Including the bonds called, on which interest has ceased, $1,282,800 of the bonded debt has been retired, resulting in a net reduction of $1,279,300, and of the annual interest charge by $58,441.40.

From July 1, 1878, to the close of the fiscal year 1903 the bonded debt was increased by the issue of 3.65 per cent bonds for $1,229,550 and decreased by the operations of the sinking funds and otherwise $10,418,950, making a net reduction of $9,189,400, and of the annual interest charge $543,844. The total amount of the bonded debt outstanding June 30, 1903, was $12,917,250.

Since the close of the fiscal year the debt has been reduced by the purchase of 3.65 per cent bonds for $45,750 and the redemption of $13,000 water-stock bonds maturing July 1, 1903. This leaves outstanding $12,858,500, consisting entirely of 3.65 per cent bonds.

At the close of the fiscal year 1903 the 10 per cent guaranty fund held for account of District contractors amounted to $346,910.97, and was credited to 111 separate contracts. Of this sum $312,732.03 is invested in bonds purchased at the request and risk of contractors.

The receipts for account of the police relief fund during the year were $50,387.05, and for account of the firemen's relief fund $17,877.96. These sums were deposited in the Treasury in monthly installments, subject to the requisition of the District Commissioners.

The securities of the District in the care and custody of the Treasurer are:

3.65 per cent bonds (unsigned)	$6,219,950
Bonds for account of District contractors	274,570
Chesapeake and Ohio Canal bonds	84,285
Total	6,578,805

THE WORK OF THE TREASURER'S OFFICE.

The work of the Treasurer's office grows year by year. Issues, redemptions, and payments are recorded on other pages. The business by mail is typical of that in other branches. The letters sent and received, and the signatures attached, are here stated by number for the fiscal year 1903:

LETTERS RECEIVED.

Letters received by open mail	218,161
Letters received by registered mail	25,250
Letters received containing bonds, currency, etc	12,927
Letters referred to other bureaus	6,342
Letters briefed and recorded	30,258

LETTERS SENT AND SIGNATURES ATTACHED.

Letters sent by open mail	307,148
Interest checks mailed	223,090
Value of interest checks mailed	$20,400,299.69
Letters sent by registered mail	16,162
Letters and forms bearing autograph signatures	34,664

Autograph signatures to warrants, transfers, checks, requisitions, receipts, and bonds	383,485
Forms bearing printed signatures, etc., mailed	315,851
Printed notices mailed	250,322
Value of registered letters sent	$16,305,788.59
Value of registered letters received	$1,233,575.10
Signatures of Treasurer United States, account sinking fund, office District of Columbia	2,264
Blank checks issued to disbursing officers	63,020

The tasks which the immense transactions of the Government impose on the Treasurer's office are many and varied, and involve vast responsibility. They have been performed with alacrity, accuracy, and high intelligence, by reason of the capacity, fidelity, experience, and efficiency of the staff, the chiefs of divisions, and of every person employed. It is a privilege as well as a duty to recognize and to commend the merits in character and work of the force every member of which deserves so well.

Respectfully,

ELLIS H. ROBERTS,
Treasurer of the United States.

Hon. LESLIE M. SHAW,
Secretary of the Treasury.

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REPORT OF THE DIRECTOR OF THE MINT.

TREASURY DEPARTMENT,
BUREAU OF THE MINT,
Washington, D. C., November 27, 1903.

SIR: I have the honor to herewith submit the thirtieth annual report of the Director of the Mint, covering the operations of the mints and assay offices of the United States for the fiscal year ending June 30, 1903, with such available statistics for the fiscal year as may be valuable in connection therewith.

COINAGE OF THE YEAR.

The coinage mints at Philadelphia, New Orleans, and San Francisco were in operation throughout the fiscal year and the output in number of pieces was greater than in any previous year. The domestic coinage aggregated 184,578,638 pieces, of the value of $74,203,000.43. Of this, $45,721,773 was in gold coin, $17,972,758 standard silver dollars, $8,023,751.25 subsidiary silver coin, and $2,284,691.18 minor coin. The total number of pieces turned out, including coinage for the Philippines, Venezuela, and Colombia, was 205,872,482.

SILVER BULLION NEARLY EXHAUSTED.

The silver dollars were all coined from bullion purchased under the act of July 14, 1890. Of the subsidiary silver, $2,509,000 was likewise coined from this bullion. Of this bullion there remained on hand June 30, 1903, 17,502,938.35 fine ounces. The entire amount will be used for coinage during the fiscal year 1904.

The limitation of the coinage of subsidiary silver was in a measure removed by the act of March 3, 1903, which permitted the bullion purchased under the act of 1890 to be used to supply this demand. When this bullion is exhausted, which will be before the first session

of the Fifty-eighth Congress closes, no more subsidiary coins can be made without further legislation giving authority for the purchase of bullion.

PHILIPPINE AND FOREIGN COINAGE.

At the request of the Secretary of War the purchases of bullion required for the silver coins of the Philippine Islands, authorized by the act of March 3, 1903, were made by the Director of the Mint, with the approval of the Secretary of the Treasury. Tenders of bullion were invited upon Mondays and Thursdays of each week, and purchases made as seemed advisable in amounts sufficient to keep the mints employed. The mints at Philadelphia and San Francisco confined their operations wholly to the manufacture of Philippine coins during the last three months of the fiscal year. The cost of the bullion and of the coinage has been borne by the Philippine government. The coinage made for the Philippines during the year amounted to 8,037,573.10 pesos in silver and 183,465.30 pesos in minor coin. In addition to these the mint at Philadelphia coined 750,000 pieces in silver for Venezuela and 1,360,000 pieces in silver for Colombia.

EARNINGS AND EXPENDITURES.

A summary of all earnings and expenditures, including seigniorage on silver and minor coin shows that the total earnings and gains exceeded expenditures by $6,894,448.13. The earnings were as follows:

Parting and refining charges	$187,999.52
Alloy charges	10,779.58
Melting, assaying, and stamping charges	40,302.78
Seigniorage on standard silver dollars	5,395,395.10
Seigniorage on subsidiary silver coin	878,934.51
Seigniorage on minor coin	1,960,915.59
Profits on manufacture of proof coins and medals	8,701.94
Gains on bullion deposits	77,681.29
Proceeds from sale of old material	4,963.71
Received for special assays	3,236.00
Sale of by-products	20,751.33
Received for manufacture of counting boards, machinery, etc	4,020.32
Received for coinage for Colombia and Venezuela	15,907.80
Received for coinage for Philippine government	90,067.22
Total	8,699,656.69

The expenditures were as follows:

Equipment, Philadelphia mint	$44,888.33
Equipment (new machinery), San Francisco mint	23,356.37
Equipment, Denver mint	4,237.42
Transfer of gold coin and bullion between mints and assay offices	64,235.88
Paid in salaries and wages	1,156,875.06
Contingent expenses (less wastage and loss in sweeps sold)	436,677.40
Wastage and loss on sale of sweeps	21,743.31
Expense of distributing minor coin	41,682.25
Loss on bullion shipped to mint	275.88
Loss on recoinage, minor coin	11,236.66
Total	1,805,208.56

THE MINTS.

Elsewhere will be found the detailed reports submitted by the superintendents and operative officers of the several institutions, and for information concerning their operations reference is made thereto.

At the Philadelphia mint the electrolytic refining process was used upon gold bullion of the value of $4,492,253 at insignificant cost, the amount of platinum recovered offsetting approximately the entire cost of the operations. Experiments are being made with prospects of success for extending this process to bullion of lower grade than has heretofore been treated.

The new mint at Denver will be completed and ready for the installation of the machinery, fixtures, apparatus, etc., during the coming fiscal year, and provision should be made for the officers, clerks, workmen, and supplies required to operate a coinage mint. In the report for this Bureau submitted one year ago the advisability of closing the New Orleans mint was discussed at some length, and the same considerations are now pertinent. Briefly stated they are that with the exhaustion of the stock of silver bullion purchased under the act of July 14, 1890, and the cessation of silver-dollar coinage, the amount of work to be done by the mints will be greatly reduced. The new mint at Denver will add considerably to the coinage capacity of the country just as the requirements are to diminish. The mint at Denver, however, is conveniently located for the coinage of gold, while the mint at New Orleans receives but little gold. In view of the fact that the three mints—at Philadelphia, Denver, and San Francisco—have ample capacity and can do it more economically than four mints can, the recommendation that the New Orleans mint be reduced to an assay office is repeated.

The business of the New York assay office has increased to such proportions that the present building is inadequate. It is a very old building, inconvenient, unsafe, and in constant need of repair. It is urged that provision be made for a new structure.

DEPOSITS OF GOLD BULLION, FISCAL YEAR 1903.

Deposits of bullion may be made at a mint or assay office for conversion into bars for the convenience of the depositor. When delivered to him and disposed of by him they frequently find their way to another one of the Government institutions and are there classified as redeposits. The same applies to transfers of bullion between the mints and assay offices.

The deposits of gold bullion at the mints and assay offices of the United States during the fiscal year ended June 30, 1903, exclusive of the redeposits, were of the value of $127,004,443.02, against $132,580,829.88 reported the previous year.

The aggregate of all deposits, including redeposits, is the total of metal operated upon in the year by the mint service. This total of gold bullion received in the fiscal year ended June 30, 1903, was 8,583,900.733 standard ounces of the value of $159,700,469.83, against 9,068,708.137 standard ounces of the value of $168,720,141.15 reported the previous year.

The deposits of domestic bullion amounted to 5,187,643.842 standard ounces, of which 1,394,804.149 standard ounces were in a crude condition direct from the miners operating in the various States, 863,874.233 standard ounces of refinery bars (less than 0.992 in fineness), and 2,928,965.460 standard ounces of refined bullion (0.992 in fineness and over) were bullion received from private refineries, chlorination, and cyanide works.

UNCURRENT DOMESTIC GOLD COIN FOR RECOINAGE.

Uncurrent and mutilated domestic gold coin received for recoinage contained 51,648.8 standard ounces of the coinage value in new coin of $960,907.95. Of this amount 32,941.509 standard ounces were received over the counter and 18,707.291 standard ounces were received on transfers from the Treasury.

The face value, denominations, and loss on recoinage of the coin referred to are shown in the following table:

UNCURRENT DOMESTIC GOLD COIN.

Denomination.	Face value.		Total.
	Transferred from Treasury.	Purchased over counter.	
Double eagles	$114,140.00	$171,680.00	$285,820.00
Eagles	99,550.00	309,530.00	409,080.00
Half eagles	134,005.00	123,675.00	257,680.00
3-dollar pieces		174.00	174.00
Quarter eagles	3,322.50	13,937.50	17,260.00
Dollars	21.00	433.00	454.00
Total	351,038.50	619,429.50	970,468.00
Loss by recoinage	2,995.88	6,564.17	9,560.05

Foreign bullion containing 877,794.521 standard ounces, of the value of $16,331,059.02, was also received, of which 698,766.432 standard ounces were unrefined and 179,028.089 standard ounces were refined previous to its receipt at the mint, as shown by the following table:

DEPOSITS OF FOREIGN GOLD BULLION.

Country of production.	Unrefined.		Refined.	
	Standard ounces.	Coining value.	Standard ounces.	Coining value.
Canada:				
British Columbia	55,498.667	$1,032,533.34		
Klondike, Northwest Territory	331,806.044	6,173,135.70		
Nova Scotia	27,387.053	509,526.56		
Ontario and Quebec	16,501.786	307,009.97		
Mexico	178,266.751	3,316,590.72	17,261.431	$321,142.90
Central America	37,938.555	705,832.67	127.934	2,380.27
South America	50,990.539	948,661.19	2,079.245	38,683.63
West Indies	276.079	5,135.35		
China	12.674	235.79		
South Africa	88.284	1,642.49		
Great Britain			159,559.479	2,968,548.44
Total	698,766.432	13,000,303.78	179,028.089	3,330,755.24

Foreign gold coin containing 481,094.499 standard ounces of the coining value in United States money of $8,950,595.28 was deposited.

The following table shows the country of coinage and amount of such deposits:

DEPOSITS OF FOREIGN GOLD COIN.

Country of coinage.	Standard ounces.	Coining value.
Great Britain	419,467.215	$7,804,041.21
Germany	2,399.902	44,649.33
Spain	159.890	2,974.69
France	117.286	2,182.06
Russia	1,713.478	31,878.66
Mexico	25,354.887	471,718.82
South America	31.626	588.38
Central America	559.910	10,416.93
Other	31,290.305	582,145.20
Total	481,094.499	8,950,595.28

Jewelers' bars, old plate, etc., containing 228,307.625 standard ounces, of the value of $4,247,582.65, were deposited.

The redeposits contained 1,757,411.446 standard ounces, of the value of $32,696,026.92, as shown by the following table:

REDEPOSITS OF GOLD BULLION.

Institution at which manufactured.	Institution at which deposited, fine bars.			Total.
	Philadelphia.	New Orleans.	New York.	
	Standard ounces.	*Standard ounces.*	*Standard ounces.*	*Standard ounces.*
Philadelphia	269.936			269.936
New York		14.071	2,799.537	2,813.608
Denver	6,407.824			6,407.824
St. Louis	285.201			285.201
Total	6,962.961	14.071	2,799.537	9,776.569

Institution at which manufactured.	Institution at which deposited, unparted bars.					
	Philadelphia.	San Francisco.	Denver.	Helena.	Seattle.	Total.
	Standard ozs.	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*
Philadelphia	10.554					10.554
Carson		14,069.130				14,069.130
Denver	818,425.438		142.343	38.848		818,606.629
Boise	70,892.891					70,892.891
Helena	129,167.739					129,167.739
Charlotte	13,227.722					13,227.722
St. Louis	6,185.975					6,185.975
Deadwood	51,020.700					51,020.700
Seattle	13,382.760	630,851.785			218.992	644,453.537
Total	1,102,313.779	644,920.915	142.343	38.848	218.992	1,747,634.877

The following tables exhibit the weight and value of deposits and purchases of gold:

WEIGHT OF THE ORIGINAL DEPOSITS AND REDEPOSITS OF GOLD BULLION AT THE MINTS AND ASSAY OFFICES OF THE UNITED STATES DURING THE FISCAL YEARS 1902 AND 1903, AND THE INCREASE OR DECREASE OF THE SAME DURING THE LATTER YEAR.

Classification of deposits of gold.	Fiscal year.		Increase 1903.	Decrease 1903.
	1902.	1903.		
ORIGINAL DEPOSITS.				
Domestic:	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*
Unrefined	1,220,604.069	1,334,804.149	164,800.140	
Refinery bars	906,813.297	863,874.233		42,939.064
Refined bullion	2,949,119.770	2,928,965.460		20,154.310
Domestic coin:				
Purchased	37,148.867	32,941.509		4,207.358
Treasury transfers	42,855.220	18,707.291		24,147.929
Foreign bullion:				
Unrefined	944,375.084	698,766.432		245,608.652
Refined	33,303.972	179,028.089	145,721.877	
Foreign coin	752,293.722	481,094.499		271,199.223
Jewelers' bars, old plate, etc	230,303.973	228,307.625		1,996.348
Total original deposits	7,126,220.154	6,826,489.287	310,522.017	610,252.884
REDEPOSITS.				
Fine bars	20,169.417	9,776.569		10,392.848
Unparted bars	1,922,318.566	1,747,634.877		174,683.689
Total redeposits	1,942,487.983	1,757,411.446		185,076.537
Total gold operated upon	9,068,708.137	8,583,900.733	310,522.017	795,329.421

VALUE OF THE ORIGINAL DEPOSITS AND REDEPOSITS OF GOLD BULLION AT THE MINTS AND ASSAY OFFICES OF THE UNITED STATES DURING THE FISCAL YEARS 1902 AND 1903 AND THE INCREASE OR DECREASE OF THE SAME DURING THE LATTER YEAR.

Classification.	Fiscal year—		Increase.	Decrease.
	1902.	1903.	1903.	1903.
ORIGINAL DEPOSITS.				
Domestic:				
Unrefined	$22,883,788.77	$25,949,838.76	$3,066,049.99	
Refinery bars	16,870,945.07	16,072,078.72		$798,866.35
Refined bullion	54,867,344.55	54,492,380.64		374,963.91
Domestic coin:				
Purchased	691,141.74	612,865.33		78,276.41
Treasury transfers	797,306.42	348,042.62		449,263.80
Foreign bullion:				
Unrefined	17,569,766.45	13,000,303.78		4,569,462.67
Refined	619,650.45	3,330,755.24	2,711,104.79	
Foreign coin	13,996,162.21	8,950,595.28		5,045,566.93
Jewelers' bars, old plate, etc	4,284,724.22	4,247,582.65		37,141.57
Total original deposits	132,580,829.88	127,004,443.02	5,777,154.78	11,353,541.64
REDEPOSITS.				
Fine bars	375,244.92	181,889.65		193,355.27
Unparted bars	36,764,066.35	32,514,137.27		4,249,929.08
Total redeposits	37,139,311.27	32,696,026.92		4,443,284.35
Total gold operated upon	169,720,141.15	159,700,469.94	5,777,154.78	15,796,825.99

DEPOSITS OF SILVER BULLION, FISCAL YEAR 1903.

Deposits of silver bullion may be made at a mint or assay office for conversion into bars, and these, when delivered to the depositor and disposed of by him, may find their way to another one of the Government institutions. These bars, bearing the stamp of the mint service, are then classified as redeposits.

Including silver contained in gold deposits, the deposits and purchases of silver during the fiscal year ended June 30, 1903, exclusive of redeposits, amounted to 15,670,977.38 standard ounces, against 6,063,186.38 standard ounces reported for the previous year. The receipts for Philippine coinage were 8,162,317.11 standard ounces.

The aggregate of all deposits and purchases, including redeposits, at all the mints and assay offices shows the total operations of the mint service. This aggregate of silver received in the fiscal year was 26,398,713.18 standard ounces.

The deposits of domestic bullion amounted to 10,925,031.84 standard ounces, of which 460,767.77 standard ounces were in a crude condition, direct from miners operating in various States, 147,964.80 standard ounces of refinery bars (less than 0.992 in fineness), and 10,316,299.27 standard ounces in refined bullion (fineness of 0.992 and over), being bullion received from private refineries, chlorination and cyanide works.

UNCURRENT DOMESTIC SILVER COIN FOR RECOINAGE.

Uncurrent and mutilated domestic coins were received for recoinage containing 2,278,028.25 standard ounces, of the coinage value in silver dollars of $2,650,796.51 or the coinage value in new subsidiary coins of $2,834,249.73.

Of this amount, 2,274,524.68 standard ounces were received from the Treasury and 3,503.57 standard ounces were received over the counter at the various mints and assay offices.

The face value, denomination, and loss on recoinage of the coin referred to is shown by the following table:

UNCURRENT DOMESTIC SILVER COIN.

Denomination.	Face value.		Total.
	Transferred from Treasury.	Purchased over the counter.	
Trade dollars		$252.00	$252.00
Standard dollars		1,777.00	1,777.00
Half dollars	$1,299,316.50	1,035.00	1,300,351.50
Quarter dollars	930,416.25	731.00	931,147.25
Twenty-cent pieces	231.00	3.40	234.40
Dimes	777,007.50	507.90	777,515.40
Half dimes	1,641.90	47.15	1,689.05
Three-cent pieces	134.83	1.95	136.78
Total	3,008,747.98	4,355.40	3,013,103.38
Loss by recoinage	178,857.27		178,857.27
Gain by recoinage		16.23	16.23

There was also transferred from the Treasury 512,984.59 standard ounces of the nominal value of $619,000 in Hawaiian silver coin for recoinage into domestic subsidiary coin.

Denomination.	Face value.	Coining value in United States subsidiary coin
Dollars	$339,500	
Half dollars	238,500	[illegible]
Quarter dollars	41,000	
Total	619,000	[illegible]
Net gain by recoinage		[illegible]

Foreign silver bullion unrefined containing 1,233,831.62 standard ounces was received as follows:

Country of production.	Standard ounces.	Coining value.
Canada:		
British Columbia	16,938.51	$19,710.27
Klondike Northwest Territory	79,235.13	92,200.88
Nova Scotia	1,573.93	1,831.48
Ontario and Quebec	3,570.06	4,154.24
Mexico	1,047,630.95	1,219,061.48
Central America	69,296.05	80,635.39
South America	15,564.54	18,111.47
Other	22.45	26.12
Total	1,233,831.62	1,435,731.33

Foreign silver coin containing 24,298.22 standard ounces was deposited. The following table shows the country of coinage:

DEPOSITS OF FOREIGN SILVER COIN.

Country of coinage.	Standard ounces.	Coining value.
Great Britain	23.72	$27.60
Germany	2.15	2.50
Spain	161.76	188.23
Mexico	199.27	231.08
South America	93.60	108.92
Central America	10,067.78	11,713.36
Other	13,809.04	16,062.59
Total	24,298.22	28,274.28

Jewelers' bars, old plate, etc., containing 696,786.27 standard ounces, were deposited.

The redeposits contained 10,727,735.80 standard ounces, as shown by the following table:

REDEPOSITS OF SILVER BARS.

Institution at which manufactured.	Institution at which deposited (fine bars).				
	Philadelphia.	San Francisco.	New Orleans.	New York.	Total.
	Standard ozs.	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*
Philadelphia	856.59	2,990 112.21	6,999,813.03		9,990,781.83
New York	58,583.98		126,970.95	42,264.97	227,819.90
Total	59,440.57	2,990,112.21	7,126,783.98	42,264.97	10,218,601.73

Institution at which manufactured.	Institution at which deposited, unparted bars.						Mint bars, Philadelphia.	Standard bars, New Orleans.
	Philadelphia.	San Francisco.	Denver.	Helena.	Seattle.	Total.		
	Standard ozs.	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*
Philadelphia	4.79					4.79		
New York							154,902.81	43,321.24
Carson		9,028.13				9,028.13		
Denver	110,257.50		132.57	117.61		110,508.07		
Boise	25,392.70					25,392.70		
Helena	29,458.11					29,458.11		
Charlotte	1,621.17					1,621.17		
St. Louis	1,287.97					1,287.97		
Deerwood	21,001.61					21,001.61		
Seattle	2,967.12	109,396.96			173.39	112,507.47		
Total	191,994.06	118,425.09	132.57	117.61	173.39	310,810.02	154,902.81	43,421.24

The following tables exhibit the weight and value of deposits and redeposits of silver:

WEIGHT OF THE ORIGINAL DEPOSITS AND REDEPOSITS OF SILVER BULLION AT THE MINTS AND ASSAY OFFICES OF THE UNITED STATES DURING THE FISCAL YEARS 1902 AND 1903, AND THE INCREASE OR DECREASE OF THE SAME DURING THE LATTER YEAR.

Classification of deposits of silver.	Fiscal year.		Increase, 1903.	Decrease, 1902.
	1902.	1903.		
ORIGINAL DEPOSITS.				
Domestic:	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*	*Standard ozs.*
Unrefined	450,531.01	460,767.77	10,236.76	
Refinery bars	84,587.38	147,964.80	63,377.42	
Refined bullion	1,048,281.02	10,316,299.27	9,268,018.25	
Domestic coin.				
Purchased	2,750.34	3,284.20	533.86	
Treasury transfers	2,525,019.26	2,274,524.68		250,491.58
Trade dollars purchased	108.72	219.37	110.65	
Hawaiian coin, Treasury transfers		512,984.59	512,984.59	
Foreign bullion:				
Unrefined	1,280,025.88	1,233,831.62		16,194.26
Refined		16.59	16.59	
Foreign coin	32,516.57	24,298.22		8,218.35
Jeweler's bars, old plate, etc	639,366.20	696,786.27	57,420.07	
Total original deposits	6,063,186.38	14,670,977.28	9,912,698.19	304,907.19
REDEPOSITS.				
Fine bars	1,073,764.87	10,218,601.73	9,144,836.86	
Mint bars	203,006.67	154,902.81		48,103.86
Standard bars	1,719.91	43,421.24	41,701.33	
Unparted bars	339,723.09	310,810.02		28,913.07
Total redeposits	1,618,214.54	10,727,735.80	9,186,538.19	77,016.93
Total silver operated upon	7,681,400.92	26,398,713.18	19,099,236.38	381,924.12

VALUE OF THE ORIGINAL DEPOSITS AND REDEPOSITS OF SILVER BULLION AT THE MINTS AND ASSAY OFFICES OF THE UNITED STATES DURING THE FISCAL YEARS 1902 AND 1903, AND THE INCREASE OR DECREASE OF THE SAME DURING THE LATTER YEAR.

Classification of deposits of silver.	Fiscal year—		Increase, 1903.	Decrease, 1903.
	1902.	1903.		
ORIGINAL DEPOSITS.				
Domestic:				
Unrefined	$524,254.22	$536,166.10	$11,911.88	
Refinery bars	98,428.95	172,177.21	73,748.26	
Refined bullion	1,219,817.92	12,004,420.97	10,784,603.05	
Domestic coin:				
Purchased	3,200.40	3,821.62	621.22	
Treasury transfers	2,938,204.21	2,646,719.62		291,484.59
Trade dollars purchased	126.51	255.27	128.76	
Hawaiian coin, Treasury transfers		596,927.52	596,927.52	
Foreign bullion:				
Unrefined	1,489,484.65	1,435,731.33		53,753.32
Refined		19.30	19.30	
Foreign coin	37,837.46	28,274.28		9,563.18
Jeweler's bars, old plate, etc	743,989.76	810,805.87	66,816.11	
Total original deposits	7,055,344.08	18,235,319.09	11,534,776.10	354,801.09
REDEPOSITS.				
Fine bars	1,249,471.85	11,890,736.55	10,641,264.70	
Mint bars	236,225.95	180,250.54		55,975.41
Standard bars	2,001.35	50,526.53	48,525.18	
Unparted bars	395,314.14	361,669.83		33,644.31
Total redeposits	1,883,013.29	12,483,183.45	10,689,789.88	89,619 72
Total silver operated upon	8,938,357.37	30,718,502.54	22,224,565.98	444,420.81

DEPOSITS OF GOLD SINCE 1873.

The value of the deposits of gold bullion, coin, and jewelers' bars at the mints and assay offices of the United States, by fiscal years, since 1873 is exhibited in the following table:

DEPOSITS OF GOLD AT UNITED STATES MINTS AND ASSAY OFFICES SINCE 1873.

Fiscal year ended June 30—	Character of gold deposited.					
	Domestic bullion.	Domestic coin (coining value).	Foreign bullion.	Foreign coin (U. S. coining value).	Jewelers' bars, old plate, etc.	Total.
1873	$28,868,569.78	$27,116,948.27	$426,107.44	$518,542.11	$771,218.25	$57,701,385.85
1874	29,736,387.82	6,275,367.29	3,162,519.92	9,313,882.47	654,353.56	49,142,511.06
1875	34,266,124.52	1,714,311.50	739,159.66	1,111,792.26	721,625.96	38,556,293.90
1876	37,590,529.39	417,947.15	1,141,905.76	2,111,083.80	681,819.32	41,943,285.42
1877	45,478,103.93	417,339.68	1,931,165.12	2,093,260.73	837,911.25	48,757,778.71
1878	48,075,123.76	301,021.79	2,068,679.05	1,316,461.09	907,932.20	52,669,217.89
1879	38,549,705.89	198,083.17	1,069,796.89	1,498,819.71	937,751.14	42,254,156.80
1880	35,821,705.40	209,328.82	21,200,997.23	40,426,559.63	1,176,505.77	98,835,096.85
1881	35,815,036.55	440,776.97	37,771,472.26	55,462,385.74	1,343,430.93	130,833,102.45
1882	31,298,511.97	599,356.80	12,783,807.04	20,304,810.78	1,770,166.36	66,756,652.95
1883	32,481,642.38	374,129.23	4,727,143.22	6,906,083.80	1,858,107.42	46,347,106.05
1884	29,079,596.33	263,117.17	6,023,734.45	9,095,461.45	1,864,769.26	46,326,678.66
1885	31,584,436.64	325,210.97	11,221,846.45	7,893,217.77	1,869,363.26	52,894,075.09
1886	32,456,493.64	393,545.28	4,317,068.27	5,673,565.04	2,069,077.00	44,909,749.23
1887	32,973,027.41	516,984.63	22,571,328.70	9,896,512.28	2,265,219.85	68,223,072.87
1888	32,406,306.59	492,512.60	21,741,042.44	14,596,885.03	2,988,750.90	72,225,497.56
1889	31,440,778.93	585,066.87	2,136,516.66	4,447,475.99	3,526,597.31	42,136,435.76
1890	30,474,900.25	655,474.96	2,691,932.29	5,298,773.93	3,542,013.83	42,663,095.26
1891	31,555,116.85	583,847.16	4,054,822.86	8,256,303.80	4,035,710.15	48,485,800.82
1892	31,961,546.11	557,967.86	10,935,154.69	14,040,187.70	3,636,603.68	61,131,460.04
1893	33,286,167.94	792,470.43	2,247,730.78	6,293,296.33	3,830,176.02	46,449,841.50
1894	38,696,951.40	2,093,615.46	15,614,118.19	12,386,406.81	3,118,421.45	71,909,513.31
1895	44,371,949.83	1,188,258.21	14,108,435.74	2,278,614.07	3,213,809.43	65,161,067.28
1896	53,910,937.02	1,670,005.53	6,572,390.14	3,227,409.06	3,388,622.06	68,769,383.81
1897	60,618,239.77	1,015,314.39	9,371,521.03	13,188,013.86	2,810,248.66	87,003,337.71
1898	69,881,120.57	1,187,682.99	26,177,370.06	47,210,077.84	2,936,943.37	147,693,194.83
1899	76,252,187.23	1,158,307.77	30,336,559.47	32,785,152.48	2,964,683.90	143,497,190.65
1900	87,458,836.23	1,389,096.68	22,720,150.22	18,834,495.53	3,517,540.93	133,920,119.59
1901	92,929,695.86	1,116,179.86	27,189,659.12	27,906,489.13	3,959,656.64	153,101,680.61
1902	94,622,078.39	1,488,448.16	18,189,416.90	13,996,162.21	4,284,724.22	132,580,829.88
1903	96,514,298.12	960,907.95	16,331,058.92	8,950,595.28	4,247,582.64	127,004,442.91
Total	1,428,456,426.50	56,528,625.40	361,874,888.97	407,318,777.74	75,737,386.72	2,329,916,055.33

DEPOSITS OF SILVER AT UNITED STATES MINTS AND ASSAY OFFICES BY FISCAL YEARS SINCE 1885, REPORTED IN FINE OUNCES.

Fiscal year ended June 30—	Character of silver deposited.					Total.
	Domestic bullion.	Domestic coin.	Foreign bullion.	Foreign coin.	Jewelers' bars, old plate, etc.	
	Fine ounces.	*Fine ounces.*	*Fine ounces.*	*Fine ounces.*	*Fine ounces.*	*Fine ounces.*
1885	24,943,394	678,741	1,627,619	867,856	336,981	28,454,591
1886	25,101,639	216,015	1,145,017	628,545	361,316	27,452,532
1887	29,203,372	5,848,585	1,127,213	271,166	396,656	36,936,992
1888	28,921,649	1,202,177	1,290,390	67,549	485,190	31,966,955
1889	29,606,387	394,346	1,063,900	328,276	502,223	31,895,132
1890	29,187,135	466,302	1,852,155	951,162	526,270	32,983,024
1891	50,667,116	637,652	1,767,908	1,970,912	633,073	55,676,661
1892	56,817,548	5,036,246	1,556,618	349,652	572,661	64,332,725
1893	56,976,082	5,346,912	1,738,711	505,171	582,728	65,149,604
1894	15,296,815	5,012,960	994,901	422,725	467,958	22,195,359
1895	6,809,626	3,015,905	1,362,141	15,291	580,125	11,783,088
1896	4,420,770	3,170,768	680,757	150,942	604,386	9,027,623
1897	3,914,985	2,208,953	626,085	101,157	473,755	7,324,935
1898	2,116,690	1,243,050	209,987	6,808	249,468	3,826,003
1899	5,584,912	6,060,986	716,077	19,382	484,751	12,866,108
1900	4,977,978	3,587,992	1,088,019	44,704	557,831	10,256,524
1901	2,466,749	2,613,570	1,306,149	4,250,196	567,647	11,204,311
1902	1,425,060	2,275,090	1,152,023	29,265	575,430	5,456,868
1903	9,832,529	[a] 2,511,911	1,110,463	21,869	627,108	14,103,880
Total	388,360,436	51,528,161	22,416,133	11,002,628	9,585,557	482,892,915

[a] Includes 461,686 fine ounces Hawaiian coin.

COINAGE OF THE UNITED STATES.

The following table exhibits the domestic coinage during the year by denominations, pieces, and value:

DOMESTIC COINAGE OF THE MINTS OF THE UNITED STATES DURING THE FISCAL YEAR 1903.

Denomination.	Pieces.	Value.
Gold:		
Double eagles	1,222,177	$24,443,540.00
Eagles	634,308	6,343,080.00
Half eagles	2,845,589	14,227,945.00
Quarter eagles	182,780	456,950.00
Dollars (Louisiana Purchase Exposition)	250,258	250,258.00
Total	5,135,112	45,721,773.00
Silver:		
Standard dollars	17,972,785	17,972,785.00
Half dollars	5,956,953	2,978,476.50
Quarter dollars	10,840,785	2,710,196.25
Dimes	23,350,785	2,335,078.50
Total	58,121,308	25,996,536.25
Minor:		
5-cent nickels	31,786,725	1,589,336.25
1-cent bronze	89,535,493	895,354.93
Total	121,322,218	2,484,691.18
Total coinage	184,578,638	74,203,000.43

In addition to the above coinage the mints at Philadelphia and San Francisco coined for the Philippines the following:

Denomination.	Number of pieces.
Pesos	7,286,365
50 centavo	1,101,595
20 centavo	501,282
10 centavo	1,001,542
5 centavo	2,651,020
1 centavo	3,541,020
½ centavo	3,100,020
Total	19,182,844

The mint at Philadelphia also executed the following for the Governments of Venezuela and Colombia:

For Venezuela, 500,000 five-bolivar and 250,000 two-bolivar silver pieces.

For Colombia, 960,000 twenty-centavo and 400,000 five-centavo silver pieces.

All the standard silver dollars embraced in the above table were coined from the balance of the silver bullion on hand purchased under the act of July 14, 1890, and contained 15,445,362.12 standard ounces of silver, costing $12,577,389.90. The seigniorage or profit on this coinage was $5,395,395.10, which has been deposited in the Treasury of the United States.

Of the subsidiary coinage executed during the year, $5,111,084 were from bullion received from the Treasury for recoinage and $2,509,000 from silver bullion purchased under the provision of section 3526 of the Revised Statutes and under the act of July 14, 1890, $403,000 from Hawaiian coins redeemed and melted, and $667.25 from silver purchased, partings, charges, and fractions.

The loss on the recoinage of $970,468 in worn and uncurrent gold coins was $9,560.05, and the net loss on the recoinage of $3,013,103.38 in worn and uncurrent silver coins was $178,811.04, for which the Treasury of the United States was reimbursed from the appropriation for that purpose. On the transfer from the Treasury of $619,000 in Hawaiian coin there was a gain of $19,239.

The number of pieces of domestic coin manufactured by the mints of the United States during the fiscal years 1902 and 1903, and the increase or decrease in the number of pieces coined in the last year named are shown in the following table:

COINAGE OF THE MINTS OF THE UNITED STATES BY PIECES DURING THE FISCAL YEARS 1902 AND 1903, AND THE INCREASE OR DECREASE OF THE SAME DURING THE LATTER YEAR.

Classification of coinage.	Fiscal year.		Increase, 1903.	Decrease, 1903.
	1902.	1903.		
	Pieces.	*Pieces.*	*Pieces.*	*Pieces.*
Gold coins	5,428,551	5,135,112	.....	293,439
Silver dollars	19,402,800	17,972,785	.....	1,430,015
Subsidiary silver coins	48,809,654	40,148,523	.....	8,661,131
Minor coins	117,778,501	121,322,218	3,543,717	.....
Total	191,419,506	184,578,638	3,543,717	10,384,585

The value of the domestic coinage manufactured by the mints of the United States during the fiscal years 1902 and 1903, and the increase or decrease in the nominal value of the coinage during the years named is shown by the following table:

COINAGE OF THE MINTS OF THE UNITED STATES BY VALUE DURING THE FISCAL YEARS 1902 AND 1903, AND THE DECREASE OR INCREASE OF THE SAME DURING THE LATTER YEAR.

Classification of coinage.	Fiscal year.		Increase, 1903.	Decrease, 1903.
	1902.	1903.		
Gold coins	$61,980,572.50	$45,721,773.00		$16,258,799.50
Silver dollars	19,402,800.00	17,972,785.00		1,430,015.00
Subsidiary silver coins	10,713,569.45	8,023,751.25		2,689,818.20
Minor coins	2,429,736.17	2,484,691.18	$54,955.01	
Total	94,526,678.12	74,203,000.43	54,955.01	20,378,632.70

The number of silver dollars coined from bullion purchased under the act of July 14, 1890, from August 13, 1890, to June 30, 1903, aggregated 176,925,385 pieces, containing 136,840,727.70 ounces of fine silver costing $127,123,130.39, giving a seigniorage of $49,802,255.61. All profits on the coinage of silver dollars are deposited each month in the Treasury of the United States.

The aggregate number of silver dollars coined from March 1, 1878, to June 30, 1902, under the provisions of the acts of February 28, 1878, July 14, 1890, and March 3, 1891, was 560,170,650, as shown by the following table:

COINAGE OF SILVER DOLLARS.

Coinage under act of—		Amount.
Feb. 28, 1878 (Bland-Allison)		$378,166,793
From July 14, 1890, to repeal of the purchasing clause of the Sherman Act, Oct. 31, 1893	$36,087,285	
From Nov. 1, 1893, to June 12, 1898	42,139,872	
Coined under the war-revenue bill approved June 13, 1898	98,698,228	
Total under act of July 14, 1890		176,925,385
Mar. 3, 1891, (recoinage of trade dollars)		5,078,472
Total		560,170,650

There are exhibited in the Appendix tables showing, by denominations and values, domestic coins manufactured during the fiscal year, and also tables of the total coinage by denominations, institutions, and years from the establishment of the Mint in 1792.

The following table exhibits the number of fine ounces and value of gold and silver coinage of the United States, by calendar years, since 1873:

COINAGE OF GOLD AND SILVER AT THE MINTS OF THE UNITED STATES SINCE 1873.

Calendar years.	Gold.		Silver.	
	Fine ounces.	Value.	Fine ounces.	Coining value.
1873	2,758,475	$57,022,748	3,112,891	$4,024,748
1874	1,705,441	35,254,630	5,299,421	6,851,777
1875	1,594,050	32,951,940	11,870,635	15,347,893
1876	2,253,281	46,579,453	18,951,777	24,503,308
1877	2,128,493	43,999,864	21,960,246	28,393,045
1878	2,408,400	49,786,052	22,057,548	28,518,850
1879	1,890,499	39,080,080	21,323,498	27,569,776
1880	3,014,163	62,308,279	21,201,232	27,411,694
1881	4,685,162	96,850,890	21,609,970	27,940,164
1882	3,187,317	65,887,685	21,635,469	27,973,132
1883	1,414,581	29,241,990	22,620,701	29,246,968
1884	1,160,601	23,991,756	22,069,935	28,534,866
1885	1,343,519	27,773,012	22,400,433	28,962,176
1886	1,400,240	28,945,542	24,817,064	32,086,709
1887	1,159,664	23,972,383	27,218,101	35,191,081
1888	1,518,046	31,380,808	25,543,242	33,025,606
1889	1,035,899	21,413,931	27,454,465	35,496,683
1890	990,100	20,467,182	30,320,999	39,202,908
1891	1,413,614	29,222,005	21,284,115	27,518,857
1892	1,682,832	34,787,223	9,777,084	12,641,078
1893	2,757,231	56,997,020	6,808,413	8,802,797
1894	3,848,045	79,546,160	7,115,896	9,200,351
1895	2,883,941	59,616,358	4,407,055	5,698,010
1896	2,276,192	47,053,060	17,858,594	23,089,899
1897	3,677,878	76,028,485	14,298,769	18,487,297
1898	3,772,561	77,985,757	17,815,385	23,034,033
1899	5,386,277	111,344,220	20,156,957	26,061,520
1900	4,802,328	99,272,942	28,072,162	36,295,321
1901	4,921,439	101,735,188	23,851,621	30,838,461
1902	2,282,571	47,184,932	23,224,910	30,028,167
Total	75,352,840	1,557,681,575	566,138,588	731,977,175

RECOINAGE OF STANDARD SILVER DOLLARS.

No mutilated or uncurrent standard silver dollars were transferred from the Treasury to the mints for recoinage during the fiscal year 1903. There were, however, purchased as bullion 1,777 mutilated silver dollars, which were for use in the manufacture of subsidiary silver coins.

The total number of mutilated and uncurrent silver dollars received and melted at the mints, and at the assay office at New York, since 1883, is shown in the following statement:

Fiscal year.	Amount.	Fiscal year.	Amount.
1883	$621	1894	$15,055
1884		1895	18,580
1885	1,850	1896	2,034
1886		1897	1,898
1887	8,292	1898	1,365
1888	14,055	1899	1,734
1889	31,042	1900	1,341
1890	11,977	1901	1,786
1891	10,800	1902	1,893
1892	42,881	1903	1,777
1893	10,500	Total	179,481

RECOINAGE OF UNCURRENT COIN.

The condition of the current coins has been materially improved by the extensive recoinage of recent years.

The following table shows the face value of abraded subsidiary coin transferred for recoinage, the amount of new coin made therefrom, and the loss and percentage of loss for each fiscal year since 1891.

RESULTS OF RECOINAGE OF UNCURRENT SUBSIDIARY SILVER COIN.

Fiscal year.	Face value.	New coin.	Loss.
1891	$910,046.69	$861,680.41	$48,366.28
1892	7,118,602.78	6,937,886.02	180,716.76
1893	7,618,198.25	7,381,289.58	236,908.67
1894	7,184,472.17	6,924,753.05	259,719.12
1895	4,361,761.36	4,161,820.73	199,940.63
1896	4,627,141.46	4,377,258.40	249,883.06
1897	3,197,998.50	3,048,861.64	149,136.86
1898	6,109,772.32	5,820,159.16	289,613.16
1899	8,584,304.26	8,098,485.18	485,819.08
1900	5,261,070.35	4,950,088.96	310,981.39
1901	3,832,280.69	3,613,021.59	219,259.10
1902	3,333,437.06	3,141,548.04	191,889.02
1903	3,008,747.98	2,829,890.71	178,857.27
Total	65,147,833.87	62,146,743.47	3,001,090.40

BARS MANUFACTURED.

During the fiscal year 1903 there were manufactured by the mints and assay offices of the United States gold and silver bars of the value of $91,848,484.33, as follows:

GOLD AND SILVER BARS MANUFACTURED DURING THE FISCAL YEAR 1903.

Description.	Standard ounces.	Value.
Gold	4,677,615.791	$87,025,401.24
Silver	4,144,837.07	4,823,083.09
Total		91,848,484.33

Tables will be found in the appendix showing in detail the character of bars manufactured at each institution during the year.

WORK OF THE GOVERNMENT REFINERIES.

There were received and operated upon by the refineries connected with the mints at Philadelphia, San Francisco, and New Orleans and the assay office at New York during the fiscal year 1903 gold bullion containing 3,018,506.520 standard ounces, and silver bullion containing 5,979,041.41 standard ounces, of the total coining value of $63,115,690.80, as shown by the following table:

REFINERY OPERATIONS, FISCAL YEAR 1903.

Institution.	Gold.		Silver.		Total value.
	Standard ounces.	Value.	Standard ounces.	Coining value.	
Philadelphia	1,378,730.392	$25,650,797.99	2,516,909.15	$2,928,767.01	$28,579,565.00
San Francisco	819,775.313	15,251,634.27	436,066.46	507,422.78	15,759,057.05
New Orleans	37,012.066	688,596.57	81,467.80	94,798.89	783,395.46
New York	782,988.720	14,567,231.99	2,944,598.00	3,426,441.30	17,993,673.29
Total	3,018,506.521	56,158,260.82	5,979,041.41	6,957,429.98	63,115,690.80

In order to show the amount of the above-mentioned silver bullion refined by the Government refineries on which charges were received, and the amount handled for parting purposes, the following table is presented:

SILVER BULLION ON WHICH CHARGES WERE COLLECTED.

Silver bullion refined.	Philadelphia.	San Francisco.	New Orleans.	New York.	Total.
Bullion on which charges were collected	*Standard ozs.* 387,640.03	*Standard ozs.* 186,279.65	*Standard ozs.* 10,964.20	*Standard ozs.* 2,597,222.08	*Standard ozs.* 3,182,105.96
Silver owned by the Government returned by the refinery for parting purposes on which there were no charges	2,127,699.22	249,786.83	70,503.60	1,100,847.25	3,548,836.90
Total	2,515,339.25	436,066.48	81,467.80	3,698,069.33	6,730,942.86

The figures given above represent the amount of silver received by the melter and refiner and charged to the refinery, but as it was used over and over it does not represent the whole amount of silver used or sent to the refinery.

PURCHASE OF SILVER.

The repeal on November 1, 1893, of the purchasing clause of the act of July 14, 1890, limited the purchase of silver bullion to that contained in deposits of gold bullion, fractions of silver deposited for return in fine bars, the amount retained in payment for charges on silver deposits, surplus bullion returned by the operative officers at the close of the fiscal year, and uncurrent domestic silver coin.

The following table shows the amount and cost of silver bullion purchased for the subsidiary silver coinage during the fiscal year ended June 30, 1903:

SILVER PURCHASES FOR SUBSIDIARY COINAGE DURING THE FISCAL YEAR 1903.

Stock.	Standard ounces.	Cost.
Partings, charges, and fractions purchased	604,502.31	$273,235.47
Hawaiian coins redeemed and melted	512,984.59	619,000.00
Melted domestic assay coins purchased	718.57	851.99
Mutilated domestic coins purchased	2,424.99	1,093.99
Surplus bullion	26,726.20	12,141.37
Total	1,147,356.66	906,322.82

QUANTITY AND COST OF SILVER PURCHASED FOR SUBSIDIARY COINAGE AT EACH MINT AND AT THE ASSAY OFFICE AT NEW YORK DURING THE FISCAL YEAR 1903.

Institution.	Standard ounces.	Cost.
Mint at Philadelphia	227,627.02	$103,003.69
Mint at San Francisco	708,702.52	708,317.33
Mint at New Orleans	15,999.93	7,340.47
Assay office at New York	195,027.19	87,661.33
Total	1,147,356.66	906,322.82

In the following table are shown the amount and cost of silver for the subsidiary coinage, the sources from which the metal was obtained, the coinage derived, and seigniorage on same during the fiscal year 1903:

QUANTITY AND COST OF SILVER OBTAINED BY TRANSFER AND PURCHASE FOR SUBSIDIARY SILVER COINAGE, AMOUNT AND COST USED IN COINAGE, COINAGE DERIVED THEREFROM, AND SEIGNIORAGE ON SAME, DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

Sources from which bullion was obtained.	Standard ounces.	Cost.	Standard ounces used in coinage.	Cost.	Coinage.	Seigniorage.
MINT AT PHILADELPHIA.						
Uncurrent coins transferred from Treasury	1,704,803.25	$2,121,061.58	3,125,783.75	$3,889,000.00	$3,889,000.00	.....
Amount transferred from act July 14, 1890, under act of Mar. 14, 1900	555,391.25	452,263.45	555,391.25	452,263.45	691,000.00	$238,736.55
Amount transferred from act July 14, 1890, under act of Mar. 3, 1903	814,198.75	663,014.29	814,198.75	663,014.29	1,013,000.00	349,985.71
Partings, charges, and fractions purchased	208,538.62	93,884.97				
Melted assay coins purchased	718.57	851.99	536.30	280.81	667.25	386.44
Mutilated coins purchased	1,828.40	823.09				
Surplus bullion purchased	16,541.43	7,443.64				
Total	3,302,020.27	3,339,343.01	4,495,910.05	5,004,558.55	5,592,667.25	589,108.70
MINT AT SAN FRANCISCO.						
Uncurrent coins transferred from Treasury	86,068.78	107,084.00	86,088.78	107,084.00	107,084.00	.....
Amount transferred from act July 14, 1890, under act of Mar. 14, 1900	486,268.75	395,975.80	486,268.75	395,975.80	605,000.00	209,024.20
Hawaiian coins redeemed and melted under act Jan. 14, 1903	512,984.59	619,000.00	323,911.25	391,297.26	403,000.00	11,702.74
Partings, charges, and fractions purchased	185,529.64	84,618.37				
Mutilated coins purchased	52.70	23.50	.....	.....	.....	.....
Surplus bullion purchased	10,135.59	4,675.46				
Total	1,281,040.05	1,211,377.13	896,268.78	894,357.06	1,115,084.00	220,726.94
MINT AT NEW ORLEANS.						
Uncurrent coins transferred from Treasury	483,652.65	601,745.13	896,181.25	1,115,000.00	1,115,000.00	.....
Amount transferred from act of July 14, 1890, under act of Mar. 14, 1900	160,750.00	130,901.13	160,750.00	130,901.13	200,000.00	69,098.87
Partings, charges, and fractions purchased	15,406.86	7,070.80				
Mutilated coins purchased	543.89	247.40	.....	.....	.....	.....
Surplus bullion purchased	49.18	22.27				
Total	660,402.58	739,986.73	1,056,931.25	1,245,901.13	1,315,000.00	69,098.87
SUMMARY.						
Uncurrent coins transferred from Treasury	2,274,524.68	2,829,890.71	4,108,053.78	5,111,084.00	5,111,084.00	.....
Amount transferred from act of July 14, 1890, under act of Mar. 14, 1900	1,202,410.00	979,140.38	1,202,410.00	979,140.38	1,496,000.00	516,859.62
Amount transferred from act of July 14, 1890, under act of Mar. 3, 1903	814,198.75	663,014.29	814,198.75	663,014.29	1,013,000.00	349,985.71
Hawaiian coins redeemed and melted, act of Jan. 14, 1903	512,984.59	619,000.00	323,911.25	391,297.26	403,000.00	11,702.74
Partings, charges, and fractions purchased	409,475.12	185,574.14				
Melted assay coins purchased	718.57	851.99	536.30	280.81	667.25	386.44
Mutilated coins purchased	2,424.99	1,093.99				
Surplus bullion purchased	26,726.20	12,141.37				
Total	5,243,462.90	5,290,706.87	6,449,110.08	7,144,816.74	8,023,751.25	878,934.51

The total available stock of silver for the subsidiary coinage, the cost, the amount used in coinage during the fiscal year, and balance on hand June 30, 1903, are set forth, by institutions, in the following table:

SILVER FOR SUBSIDIARY COINAGE, FISCAL YEAR 1903.

Stock.	Standard ounces.	Cost.
MINT AT PHILADELPHIA.		
Silver bullion on hand July 1, 1902	1,898,374.49	$2,059,531.11
Uncurrent coins transferred from Treasury	1,704,803.25	2,121,061.58
Partings, charges, and fractions purchased	208,538.62	93,884.97
Amount transferred from act of July 14, 1890, under provisions of act Mar. 14, 1900	555,391.25	452,263.45
Amount transferred from act of July 14, 1890, under provisions of act Mar. 3, 1903	814,198.75	663,014.29
Melted assay coins purchased	718.57	851.99
Mutilated coins purchased	1,828.40	823.09
Surplus bullion purchased	16,541.43	7,443.64
Total	5,200,394.76	5,398,874.12
Used in coinage fiscal year 1903	4,495,910.05	5,004,558.55
Silver contained in unparted gold bars sold	16.35	7.36
Sold in sweeps	10,612.32	5,502.70
Wasted by operative officers	13,977.61	7,198.84
Balance on hand July 1, 1903	679,878.43	381,606.67
Total	5,200,394.76	5,398,874.12
MINT AT SAN FRANCISCO.		
Silver bullion on hand July 1, 1902	31,288.71	15,461.39
Uncurrent coins transferred from Treasury	86,068.78	107,084.00
Partings, charges, and fractions purchased	185,529.64	84,618.37
Amount transferred from act of July 14, 1890, under provisions of act of Mar. 14, 1900	486,268.75	395,975.80
Hawaiian coins redeemed and melted, act Jan. 14, 1903	512,984.59	619,000.00
Mutilated coins purchased	52.70	23.50
Surplus bullion purchased	10,135.59	4,675.46
Total	1,312,328.76	1,226,838.52
Used in coinage fiscal year 1903	896,248.78	894,357.06
Sold in sweeps	5,134.84	2,429.40
Wasted by operative officers	2,094.05	965.98
Balance on hand July 1, 1903	408,851.09	329,086.08
Total	1,312,328.76	1,226,838.52
MINT AT NEW ORLEANS.		
Silver bullion on hand July 1, 1902	597,488.76	743,365.80
Uncurrent coins transferred from Treasury	483,652.65	601,745.13
Partings, charges, and fractions purchased	15,406.86	7,070.80
Amount transferred from act of July 14, 1890, under provisions act Mar. 14, 1900	160,750.00	130,901.13
Mutilated coins purchased	543.89	247.40
Surplus bullion purchased	49.18	22.27
Total	1,257,891.34	1,483,352.53
Used in coinage fiscal year 1903	1,056,931.25	1,245,901.13
Sold in sweeps	11,989.32	5,429.18
Wasted by operative officers	3,990.45	1,826.81
Balance on hand July 1, 1903	184,980.32	230,195.41
Total	1,257,891.34	1,483,352.53
SUMMARY.		
Silver bullion on hand July 1, 1902	2,527,151.96	2,818,358.30
Uncurrent coins transferred from Treasury	2,274,524.68	2,829,890.71
Partings, charges, and fractions purchased	409,475.12	185,574.14
Amount transferred from act of July 14, 1890, under provisions of act Mar. 14, 1900	1,202,410.00	979,140.38
Amount transferred from act of July 14, 1890, under provisions of act Mar. 3, 1903	814,198.75	663,014.29
Hawaiian coins redeemed and melted under provisions of act Jan. 14, 1903	512,984.59	619,000.00
Melted assay coins purchased	718.57	851.99

SILVER FOR SUBSIDIARY COINAGE, FISCAL YEAR, 1903—Continued.

Stock.	Standard ounces.	Cost.
SUMMARY—continued.		
Mutilated coins purchased	2,424.99	$1,093.99
Surplus bullion purchased	26,726.20	12,141.37
Total	7,770,614.86	8,109,065.17
Used in coinage fiscal year 1903	6,449,090.08	7,144,816.74
Silver contained in unparted bars sold	16.35	7.36
Sold in sweeps	27,736.48	13,361.28
Wasted by operative officers	20,062.11	9,991.63
Balance on hand July 1, 1903	1,273,709.84	940,888.16
Total	7,770,614.86	8,109,065.17

The amount and cost of silver purchased under act of July 14, 1890, the amount of such bullion consumed in the coinage of standard silver dollars, the number of dollars coined, and seigniorage derived therefrom, from August 13, 1890 (date when law went into effect), to June 30, 1903, together with the amount of such bullion used in the coinage of subsidiary coins under provisions of the act of March 14, 1900, and March 3, 1903, with the coinage and seigniorage on same, are exhibited in the following table:

AMOUNT AND COST OF SILVER BULLION PURCHASED UNDER ACT OF JULY 14, 1890, AND USED IN THE COINAGE OF STANDARD SILVER DOLLARS AND SUBSIDIARY SILVER COIN, WASTED AND SOLD IN SWEEPS, AND SEIGNIORAGE ON SAME, FROM AUGUST 13, 1890, TO JUNE 30, 1903.

Disposition.	Fine ounces.	Cost.
Total amount purchased and cost of same	168,674,682.53	$155,931,002.25
Used in coinage of standard silver dollars to June 30, 1903	136,840,727.70	127,123,130.39
Used in coinage of subsidiary silver to June 30, 1903	14,267,445.80	12,908,774.06
Wasted and sold in sweeps	63,570.37	62,535.64
Transferred to subsidiary silver purchase account	.31	.25
Total amount used	151,171,744.18	140,094,440.34
Balance on hand June 30, 1903	17,502,938.35	15,836,561.91
Total	168,674,682.53	155,931,002.25

Disposition.	Coinage.	Seigniorage.
Standard silver dollars coined to June 30, 1903	$176,925,385.00	$49,802,255.61
Subsidiary silver coined to June 30, 1903	19,723,443.30	6,814,669.24

BALANCE OF SILVER BULLION PURCHASED UNDER ACT OF JULY 14, 1890, ON HAND AT EACH MINT JULY 1, 1903.

Institution.	Fine ounces.	Cost.
Mint at Philadelphia	10,633,114.27	$9,620,783.34
Mint at San Francisco	1,765,357.59	1,597,285.49
Mint at New Orleans	5,104,466.49	4,618,493.08
Total	17,502,938.35	15,836,561.91

BALANCES OF SILVER BULLION.

The balances of silver bullion on hand July 1, 1903, at the mints and assay offices of the United States, for the coinage of standard silver dollars, subsidiary silver coins, and for payment of deposits of silver bullion in fine bars, were as follows:

Items.	Standard ounces.	Cost.
Purchased under act of July 14, 1890	19,447,709.27	$15,836,561.91
For subsidiary silver coinage	1,273,709.84	940,888.16
Held at United States assay office at New York for payment of deposits in fine bars	657,663.30	352,368.94
Total	21,379,082.41	17,129,819.01

MARKET PRICE OF SILVER DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

For the twelve months ending June 30, 1903, the price of silver, 0.925 fine (British standard), ranged from 21 1/16d. to 25 1/4d., the average price being 23.3280d. At the lowest price the equivalent for an ounce, fine, in United States money was $0.48442; the highest $0.55350, and at the average price $0.51137. At the lowest price the bullion value of the standard silver dollar was $0.37466; at the highest price $0.42809, and at the average price $0.39550. The following table displays the monthly fluctuations:

HIGHEST, LOWEST, AND AVERAGE PRICE OF SILVER BULLION AND VALUE OF A FINE OUNCE, EACH MONTH, DURING THE FISCAL YEAR 1903.

Month.	Highest.	Lowest.	Average price per ounce British standard, 0.925.	Equivalent value of a fine ounce with exchange at par ($4.8665).	Average monthly price at New York of exchange on London.	Equivalent value of a fine ounce based on average monthly price and average rate of exchange.	Average monthly New York price of fine bar silver.
1902.	*Pence.*	*Pence.*	*Pence.*				
July	24 7/16	24 3/16	24.3680	$0.53417	$4.8800	$0.53586	$0.53152
August	24 7/16	24 3/16	24.2259	.53106	4.8748	.53197	.53250
September	24 1/8	23 15/16	23.8750	.52326	4.8603	.52270	.52269
October	23 15/16	23 1/4	23.4004	.51296	4.8626	.51255	.51162
November	23 1/4	21 15/16	22.6925	.49731	4.8714	.49758	.49705
December	22 3/8	21 13/16	22.2067	.48679	4.8701	.48694	.48653
1903.							
January	22 3/8	21 15/16	21.9838	.48191	4.8689	.48214	.48213
February	22 7/16	21 7/8	22.1093	.48466	4.8753	.48553	.48479
March	22 15/16	22 1/8	22.5000	.49322	4.8702	.49359	.49355
April	25 7/16	22 3/8	23.3550	.51196	4.8718	.51253	.51255
May	25 1/4	24 5/16	24.8894	.54560	4.8813	.54709	.54775
June	24 5/16	24 1/4	24.3300	.53334	4.8779	.53457	.53519
Average			23.3280	.51137	4.8720	.51192	.51149

HIGHEST, LOWEST, AND AVERAGE PRICE OF SILVER BULLION AND VALUE OF A FINE OUNCE EACH MONTH DURING THE CALENDAR YEAR 1902.

Months.	Highest.	Lowest.	Average price per ounce, British standard, 0.925.	Equivalent value of a fine ounce with exchange at par, $4.8665.	Average monthly price at New York of exchange on London.	Equivalent value of a fine ounce based on average monthly price and average rate of exchange.	Average monthly New York price of fine bar silver.
1902.	*Pence.*	*Pence.*	*Pence.*				
January	26 1/16	25 3/8	25.6250	$0.56173	$4.8716	$0.56231	$0.56302
February	25 1/2	25 5/16	25.4140	.55711	4.8749	.55806	.55833
March	25 7/16	24 13/16	25.0078	.54820	4.8773	.54938	.54923
April	24 5/8	23 5/16	24.3221	.53316	4.8788	.53449	.53452
May	24 1/8	23 5/16	23.6990	.51950	4.8731	.52021	.52000
June	24 7/16	23 11/16	24.1850	.53016	4.8764	.53122	.53085
July	24 7/16	24 5/16	24.3680	.53417	4.8800	.53566	.53152
August	24 7/16	24 3/16	24.2259	.53106	4.8748	.53197	.53250
September	24 1/8	23 5/16	23.8750	.52326	4.8603	.52270	.52269
October	23 11/16	23 1/4	23.4004	.51296	4.8626	.51255	.51162
November	23 1/2	21 11/16	22.6925	.49731	4.8714	.49758	.49705
December	22 5/8	21 13/16	22.2067	.48679	4.8701	.48694	.48653
Average			24.0851	.52795	4.8726	.52858	.52815

DISTRIBUTION OF SILVER DOLLARS.

During the fiscal year 1903 the number of silver dollars distributed from the mints was 1,792,729, against 9,739,511 during the fiscal year 1902, a decrease in the distribution of these pieces during the fiscal year 1903 of 7,946,782.

The number of silver dollars on hand, the amount transferred, the coinage, and the distribution from each mint is shown in the following table:

DISTRIBUTION OF SILVER DOLLARS FROM THE MINTS, FISCAL YEAR 1903.

Items.	Philadelphia.	San Francisco.	New Orleans.	Total.
	Dollars.	*Dollars.*	*Dollars.*	*Dollars.*
In mints June 30, 1902	94,352,954	55,804,122	18,033,000	168,190,076
Transferred from Treasury for storage	500,000			500,000
Coinage, fiscal year 1903	8,026,785	2,030,000	7,916,000	17,972,785
Total	102,879,739	57,834,122	25,949,000	186,662,861
In mints June 30, 1903	102,413,954	56,937,453	25,518,725	184,870,132
Distributed from mints	465,785	896,669	430,275	1,792,729

THE CIRCULATION OF SILVER DOLLARS.

The following table exhibits the total number of silver dollars coined, the number held by the Treasury for the redemption of certificates and Treasury notes, the number held in excess of outstanding certificates, and the number in circulation since November 1, 1886:

COINAGE, OWNERSHIP, AND CIRCULATION OF SILVER DOLLARS.

Date.	Total coinage.	In the Treasury.		In circulation.
		Held for payment of certificates outstanding.	Held in excess of certificates outstanding.	
1886 (November 1)	244,433,386	100,306,800	82,624,431	61,502,155
1887 (November 1)	277,110,157	160,713,257	53,461,575	62,934,625
1888 (November 1)	309,750,890	229,783,152	20,196,288	59,771,450
1889 (November 1)	343,638,001	277,319,944	6,219,577	60,098,480
1890 (November 1)	380,988,466	308,206,177	7,072,725	65,709,564
1891 (November 1)	409,475,368	321,142,642	26,197,265	62,135,461
1892 (November 1)	416,412,835	324,552,532	30,187,848	61,672,455
1893 (November 1)	419,332,550	325,717,232	34,889,500	58,725,818
1894 (November 1)	421,776,408	331,143,301	34,189,437	56,443,670
1895 (November 1)	423,289,309	342,409,504	22,525,713	58,354,092
1896 (November 1)	439,552,141	366,463,504	14,897,835	58,190,802
1897 (November 1)	452,713,792	372,838,919	19,678,095	60,196,778
1898 (November 1)	466,836,597	398,753,504	4,645,838	63,437,255
1899 (July 1)	480,251,231	406,085,504	10,783,976	63,381,751
1900 (July 1)	498,496,215	416,015,000	15,826,299	66,654,916
1901 (July 1)	522,795,065	435,014,000	18,688,931	69,092,134
1902 (July 1)	542,197,865	453,297,000	17,830,812	70,770,053
1903 (July 1)	560,170,650	454,733,013	30,682,416	74,755,221

SEIGNIORAGE ON SILVER COINAGE.

The balance of profits on the coinage of silver on hand in the mints June 30, 1902, was $96,823.98.

The total seigniorage on the coinage of silver during the fiscal year 1903 was $6,274,329.61, of which $5,395,395.10 was from the coinage of standard silver dollars, $867,231.77 from the coinage of subsidiary silver coins, and $11,702.74 from the recoinage of Hawaiian silver coins into United States subsidiary coins.

Including the balance on hand at the mints July 1, 1878, the net seigniorage on silver coined from that date to June 30, 1903, aggregated $128,030,849.45.

The seigniorage on standard silver dollars under the act of July 14, 1890, from August 13, 1890 (the date the act went into effect), to June 30, 1903, was $49,802,254.61.

The amount of seigniorage deposited in the Treasury during the fiscal year was $6,358,303.81, leaving a balance on hand at the mints on June 30, 1903, of $12,849.78.

A table showing the seigniorage on silver coinage at each mint and the disposition of the same will be found in the appendix.

APPROPRIATIONS AND EXPENDITURES.

The act approved April 28, 1902, making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1903, contained specific appropriations

for the support of the mints and assay offices of the United States, amounting in the aggregate to $1,164,950.

Acts approved June 6, 1900, June 28, 1902, and March 3, 1903, contained the following specific appropriations:

New machinery and appliances, mint at Philadelphia	$440,185
New machinery and appliances, mint at San Francisco	30,000
New machinery and appliances, mint at Denver	225,000

The expenditures for these appropriations have been—

Mint at Philadelphia	$394,609.17
Mint at San Francisco	23,356.37
Mint at Denver	4,237.42

In addition to the expenditures from the specific appropriations there were expended during the fiscal year the following amounts from the general appropriation contained in act of July 14, 1890:

Storage of silver bullion (all expended at mint at Philadelphia)		$45,849.45
Coinage of silver bullion:		
Mint at Philadelphia	$46,378.38	
Mint at San Francisco	18,176.00	
Mint at New Orleans	178,640.81	
		243,195.19

APPROPRIATIONS AND EXPENDITURES FOR FISCAL YEAR 1903.

APPROPRIATIONS.

Institution.	Salaries.	Wages of workmen.	Contingent expenses.	Storage of silver bullion.	Coinage of silver bullion.	Total.
Philadelphia	$42,050.00	[a] $488,753.60	[b] $110,381.94			$641,185.54
San Francisco	41,100.00	[c] 207,000.00	[d] 75,000.00			323,100.00
New Orleans	31,950.00	20,000.00	7,500.00			59,450.00
Carson	5,000.00	5,600.00	2,200.00			12,800.00
New York	39,250.00	27,500.00	10,000.00			76,750.00
Denver	15,250.00	22,000.00	6,500.00			43,750.00
Helena	5,450.00	14,500.00	4,000.00			23,950.00
Boise	3,400.00	8,300.00	3,750.00			15,450.00
Charlotte	2,750.00	1,080.00	920.00			4,750.00
St. Louis	3,000.00	1,000.00	750.00			4,750.00
Deadwood	3,200.00	3,700.00	2,250.00			9,150.00
Seattle	10,000.00	27,000.00	9,000.00			46,000.00
Total	202,400.00	826,433.60	232,251.94			1,261,085.54

[a] Includes $34,019.78 received from Philippine revenues as charges for coinage; $1,620 charges on Venezuelan coinage; $2,947.72 charges received for manufacturing machinery for mint at San Francisco; $49.55 charges received for manufacturing machinery for mint at New Orleans; $14.37 charges received for manufacturing counting boards for assistant treasurer United States at St. Louis; $59.12 charges received for manufacturing counting boards for assistant treasurer at Cincinnati, and $43.06 charges received for manufacturing trucks and sliding board for assistant treasurer United States at Philadelphia.

[b] Includes $9,047.44 received from Philippine revenues as charges for coinage; $428 charges on Venezuelan coinage; $800.18 charges received for manufacturing and shipping machinery to mint at San Francisco; $28.54 charges received for manufacturing and shipping machinery to mint at New Orleans; $5.87 charges received for manufacturing counting boards for assistant treasurer United States at St. Louis; $23.71 charges received for manufacturing counting board for assistant treasurer at Cincinnati; $48.20 charges received for manufacturing trucks and sliding board for assistant treasurer at Philadelphia.

[c] Includes $32,000 received from Philippine revenues as charges on coinage.

[d] Includes $15,000 received from Philippine revenues as charges on coinage.

APPROPRIATIONS AND EXPENDITURES, FISCAL YEAR 1903.

EXPENDITURES.

Institution.	Salaries.	Wages of workmen.	Contingent expenses.	Storage of silver bullion.	Coinage of silver bullion.	Total.
Philadelphia	$42,050.00	$438,381.27	$87,988.44	$45,849.45	$46,378.38	$660,647.54
San Francisco	41,097.78	177,573.99	56,260.22	.....	18,176.00	293,107.99
New Orleans	29,662.09	14,960.91	6,664.77	.....	178,640.81	229,928.58
Carson	5,000.00	5,556.50	1,574.97	.....	.....	12,131.47
New York	38,886.32	27,374.22	9,998.76	.....	.....	76,259.30
Denver	15,250.00	21,803.40	4,933.09	.....	.....	41,986.49
Helena	5,450.00	13,953.50	3,766.21	.....	.....	23,169.71
Boise	3,400.00	7,690.00	2,577.16	.....	.....	13,667.16
Charlotte	2,750.00	1,080.00	757.82	.....	.....	4,587.82
St. Louis	3,000.00	1,000.00	264.37	.....	.....	4,264.37
Deadwood	3,200.00	3,665.00	1,939.32	.....	.....	8,804.32
Seattle	10,000.00	26,691.50	8,675.21	.....	.....	45,366.71
Total	199,746.19	739,730.29	185,400.34	45,849.45	243,195.19	1,413,921.46

EARNINGS AND EXPENDITURES OF THE REFINERIES OF THE COINAGE MINTS AND THE ASSAY OFFICE AT NEW YORK DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

The earnings of the refineries comprised the following items: Charges received for parting and refining bullion, $187,999.52; surplus bullion recovered, $53,234.96; amount received from sale of by-products, $20,751.33, making the total earnings for the year $261,985.81, which amount was deposited in the Treasury to the credit of the appropriation for "Parting and refining bullion."

The expenditures on account of "Parting and refining bullion" during the year aggregated $201,096.81, showing a net excess of earnings over expenditures of $60,889.

In the following table are shown the earnings and expenditures on account of "Parting and refining bullion" at the coinage mints and New York assay office during the fiscal year:

EARNINGS AND EXPENDITURES FOR PARTING AND REFINING BULLION FOR THE FISCAL YEAR ENDED JUNE 30, 1903.

Institution.	Earnings.				Expenditures.	Excess of receipts over expenditures.
	Charges.	Surplus bullion.	By-products.	Total.		
Philadelphia	$51,364.13	$12,999.78	.....	$64,363.91	$59,524.61	$4,839.30
San Francisco	45,196.32	29,070.40	$4,577.34	78,844.06	42,147.29	36,696.77
New Orleans	2,066.68	936.95	.....	3,003.63	808.83	2,194.80
New York	89,372.39	10,227.83	16,173.99	115,774.21	98,616.08	17,158.13
Total	187,999.52	53,234.96	20,751.33	261,985.81	201,096.81	60,889.00
Net excess of receipts	.....	.....	.....	.....	.....	60,889.00

APPROPRIATIONS AND EXPENDITURES OF THE OFFICE OF THE DIRECTOR OF THE MINT FOR THE FISCAL YEAR 1903.

The act, approved April 28, 1902, making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1903, contained appropriations for the Office of the Director of the Mint aggregating $38,410.

The expenditures from these appropriations comprised the amounts paid on account of salaries, supervising the annual settlements at the

mints and assay offices, expenses incurred in collecting and compiling the statistics of the production of gold and silver in the United States, the amount paid for incidental expenses and the purchase of and subscription to books and pamphlets, and contingent expenses incurred in support of the laboratory of the Bureau.

The expenditures aggregated $36,141.43, leaving an unexpended balance of $2,268.57 to the credit of the several appropriations.

In addition to the above appropriations for the support of the Office of the Director of the Mint, the provisions of the same act contained a specific appropriation of $75,000 for "Freight on bullion and coin between mints and assay offices."

The expenditures from this appropriation for the fiscal year aggregated $64,235.88, leaving an unexpended balance of $10,764.12 to the credit of said appropriation.

APPROPRIATIONS AND EXPENDITURES OF THE OFFICE OF THE DIRECTOR OF THE MINT FOR THE FISCAL YEAR 1903.

Purpose for which appropriated.	Appropriated.	Expended.	Unexpended.
Salaries	$29,760.00	$28,519.63	$1,240.37
Examination of mints	2,500.00	2,323.91	176.09
Mining statistics	5,000.00	4,343.28	656.72
Pamphlets, books, and incidental expenses	400.00	235.98	164.02
Laboratory	750.00	718.63	31.37
Freight on bullion and coin between mints and assay offices	75,000.00	64,235.88	10,764.12
Total	113,410.00	100,377.31	13,032.69

EARNINGS AND EXPENDITURES OF THE MINTS AND ASSAY OFFICES.

The amount received for charges at the several institutions for parting and refining bullion was $187,999.52; for copper alloy, $10,779.58, and for assaying and stamping, $40,302.78.

The seigniorage on the coinage of standard silver dollars was $5,395,395.10; on subsidiary silver coinage, $867,231.77, and on the recoinage of Hawaiian silver coins into United States subsidiary coins, $11,702.74; a total seigniorage on silver coinage of $6,274,329.61.

The seigniorage on minor coinage was $1,955,567.21; on recoinage of uncurrent minor coins, $5,348.38; a total seigniorage on minor coinage of $1,960,915.59.

The profits from the sale of metals and proof coins were $7,556.18, and the charges received for mounting and expressage on the same $1,145.76.

Deposit melting-room grains and sweeps valued at $14,904.65 and surplus bullion valued at $53,234.96 were recovered by the officers of the different institutions.

The gain on bullion shipped by the minor assay offices to the mints for coinage was $9,541.68.

The proceeds from the sale of old material were $4,963.71; from special assays of bullion and ore, $3,236, and from the sale of by-products, $20,751.33.

The receipts for manufacturing appliances for mints were $4,020.32.

The charges received for coinage for foreign governments were $15,907.80; from the Philippine government, $90,067.22.

The total amount of earnings and gains of the mints and assay offices during the fiscal year 1903 was $8,699,656.69.

The expenditures of the mint service were: For salaries of officers and clerks, $199,746.19; for wages, contingent expenses, parting and refining expenses, wastage, and loss on sale of sweeps, $1,415,376.59.

The expense of distributing minor coins was $41,682.25, and the amount paid for charges and mounting medals was $1,135.80.

The loss on bullion shipped the mints for coinage was $275.88; loss on sale of leady melts, $172.99; while the loss on the recoinage of minor coins was $11,236.66; a total expenditure of $1,669,626.36.

The net earnings for the fiscal year were $7,030,030.33.

In the appendix a table will be found showing in detail the earnings and expenditures for the year.

CLASSIFIED STATEMENT OF EXPENDITURES.

The expenditures of the mints and assay offices and of the refineries connected therewith for supplies and on account of salaries and wages of workmen during the fiscal year ended June 30, 1903, are exhibited in the following table:

CONSOLIDATED STATEMENT OF EXPENDITURES FOR SALARIES, WAGES, AND SUPPLIES OF THE MINTS AND ASSAY OFFICES OF THE UNITED STATES DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

Items of expenditure.	Ordinary expenses.	Refining expenses.	Total.
Acids	$1,719.59	$43,833.04	$45,552.63
Advertisements for supplies	384.81		384.81
Adjusting weights and repairing balances	290.75	36.70	327.45
Assayer's balances	421.65		421.65
Assayer's materials	2,018.21		2,018.21
Barrels and lard tierces	535.40	640.20	1,175.60
Belting	264.53	3.00	267.53
Bills paid at Department	4,364.49		4,364.49
Bullion boxes	313.00		313.00
Carpets, furniture, and fixtures	693.77		693.77
Charcoal	955.83	1,144.60	2,100.43
Chemicals	1,868.84	959.73	2,828.57
Coal	20,125.47	4,160.06	24,285.53
Coke	4,190.43	1,493.07	5,683.50
Copper	19,189.31	9,772.58	28,961.89
Crucibles, covers, stirrers, and dippers	10,415.36	5,080.96	15,496.32
Dry goods	5,872.11	1,039.84	6,911.95
Electric light and supplies	3,102.11	11.00	3,113.11
Electric power	3,034.09		3,034.09
Ensigns	77.70		77.70
Fire brick	714.39	582.94	1,297.33
Fluxes	1,474.90	4,097.37	5,572.27
Freight and drayage	20,399.69		20,399.69
Furnaces and repairs	401.09	314.94	716.03
Gas	8,571.18	3,035.80	11,606.98
Gloves and gauntlets	9,575.30	762.72	10,338.02
Hardware	2,095.18	372.71	2,467.89
Ice	2,185.71	283.35	2,469.06
Iron and steel	4,105.18	100.15	4,205.33
Labor and repairs	14,755.27	3,429.58	18,184.85
Laundering of towels, etc	2,732.28	28.00	2,760.28
Lead, sheet, and lead pipe	121.25	1,811.48	1,932.73
Loss on sale of sweeps and leady melts	4,227.39	5,907.74	10,135.13
Lumber	3,563.91	963.96	4,527.87
Machinery and appliances	7,772.14	938.44	8,710.58
Metal work and castings	5,939.86	1,318.79	7,258.65
Naphtha	10,364.54		10,364.54
Oils	4,379.65	150.36	4,530.01
Rent of building	2,739.96		2,739.96
Salt	3.70	933.57	937.27
Scales and weights	1,417.00		1,417.00
Sewing	5,142.59	342.75	5,485.34
Stationery, printing, and binding	1,762.97		1,762.97

CONSOLIDATED STATEMENT OF EXPENDITURES FOR SALARIES, WAGES, AND SUPPLIES OF THE MINTS AND ASSAY OFFICES OF THE UNITED STATES, ETC.—Continued.

Items of expenditures.	Ordinary expenses.	Refining expenses.	Total.
Steam, supply of	$2,832.48	$6,324.97	$9,157.45
Sundries	39,086.51	250.68	39,337.19
Telegraphing	273.08	.....	273.08
Telephone	1,677.57	.....	1,677.57
Tools	1,131.53	50.44	1,181.97
Wastage	11,330.68	.....	11,330.68
Water, sprinkling, heating, and irrigating	3,939.43	228.80	4,168.23
Wood	2,492.54	252.05	2,744.59
Zinc	.....	3,129.66	3,129.66
Total	257,046.40	103,786.03	360,832.43
Salaries	199,746.19	.....	199,746.19
Wages of workmen	957,128.87	97,310.78	1,054,439.65
Total	1,413,921.46	201,096.81	1,615,018.27

IMPORTS AND EXPORTS OF THE PRECIOUS METALS.

GOLD IMPORTS.—The total value of gold imported into the United States during the fiscal year 1903, as shown by the customs service and reported by the Bureau of Statistics, Department of Commerce and Labor, was $44,982,027.

Foreign gold bullion of the value of $10,970,143 was entered, of which amount $5,081,320 came from Mexico; $2,858,805 from Great Britain; $1,585,041 from Canada; $736,960 from Central American States; $673,155 from South America, and $34,862 from various countries.

Foreign gold coin of the value of $13,816,291 was imported, of which $7,791,277 came from Australasia; $5,786,360 from France; $72,029 from Canada; $94,727 from West Indies; $46,578 from Central America, and the remainder from various countries.

The value of gold contained in ore and base bullion imported was $18,675,837, of which amount $14,530,504 came from Canada; $3,936,405 from Mexico; $13,083 from Korea; $5,189 from Japan, and the remainder from Central and South America.

There were returned to the United States domestic gold coins of the value of $1,519,756, of which $714,560 came from Canada; $195,900 from Mexico; $49,482 from Central America; $355,137 from West Indies; $50,920 from South America; $27,995 from China; $93,000 from France, and the remainder from various countries.

The total imports were as follows:

GOLD IMPORTS, FISCAL YEAR 1903.

Items.	Value.
Foreign bullion	$10,970,143
Foreign coin	13,816,291
Gold contained in ore	18,675,837
Total foreign	43,462,271
United States coin	1,519,756
Total imports	44,982,027

GOLD EXPORTS.—The total value of gold exported from the United States during the fiscal year was $47,090,595.

Domestic gold bullion composed of United States Government bars valued at $23,890,986 was exported to France and Germany. Private refinery bars valued at $2,420,226 were exported—$2,374,156 to Japan, $43,394 to Canada, and $2,676 to Hongkong.

The exports of foreign gold bullion amounted to $394, which went to Canada.

The exports of domestic gold coin were valued at $18,041,660, of which $10,700,855 went to South America, $105,242 to Central America, $5,847,239 to Canada, $594,000 to Japan, and the remainder to various countries.

The exports of foreign coin amounted to $2,439,946, of which $2,110,790 went to Cuba, $288,645 to Canada, and the remainder to various countries.

Gold contained in domestic ores exported was valued at $231,768, of which $211,343 went to Canada, $19,050 to Germany, $1,375 to England.

Gold contained in foreign ores exported was valued at $65,615, of which $33,615 went to Canada and $32,000 to France.

The summary of gold exports is as follows:

GOLD EXPORTS FISCAL YEAR 1903.

Items.		Value.
Domestic bullion (United States mint or assay office bars)		$23,890,986
Other domestic bullion		2,420,226
Domestic coin		18,041,660
Gold contained in ore		231,768
Total domestic		44,584,640
Foreign bullion reexported	$394	
Foreign coin	2,439,946	
Foreign ore reexported	65,615	
Total foreign		2,505,955
Total gold exports		47,090,595

The *net* exports of United States gold coin from January 1, 1870, to June 30, 1903, was $621,362,914, as shown by the following table:

IMPORTS AND EXPORTS OF UNITED STATES GOLD COIN.

Period.	Imports.	Exports.	Period.	Imports.	Exports.
Jan. 1 to July 1, 1870		$6,384,250	Fiscal year—		
Fiscal year—			1889	$1,403,619	$4,143,939
1871		55,491,719	1890	1,949,552	3,951,736
1872		40,391,357	1891	2,824,146	67,704,900
1873		35,661,863	1892	15,432,443	42,841,963
1874		28,766,943	1893	6,074,899	101,844,087
1875		59,309,770	1894	30,790,892	64,303,840
1876		27,542,861	1895	10,752,673	55,096,639
1877		21,274,565	1896	10,189,614	77,789,892
1878	$7,325,783	6,427,251	1897	57,728,857	23,646,565
1879	3,654,859	4,120,311	1898	40,590,947	8,402,216
1880	18,207,559	1,687,973	1899	7,779,123	27,425,587
1881	7,577,422	1,741,364	1900	8,659,856	30,674,511
1882	4,796,630	29,805,289	1901	3,311,105	8,425,947
1883	8,112,265	4,802,454	1902	3,870,320	9,370,841
1884	3,824,692	12,242,021	1903	1,519,756	18,041,660
1885	3,352,090	2,345,809			
1886	1,687,231	5,400,976	Total	272,460,354	893,823,268
1887	5,862,509	3,550,770			
1888	5,181,512	3,211,399	Net exports		621,362,914

SILVER IMPORTS.—The total value of silver imports during the fiscal ear was $24,163,491.

During the year there was imported 9,653,151 ounces of foreign bullion, of the commercial value of $4,984,447, of which $4,702,768 came from Mexico, $257,591 from Central America, $13,211 from Canada, $8,735 from South America, $2,000 from West Indies, and $142 from France.

Foreign silver coin, of the value of $3,153,460, was imported, of which $2,719,853 came from Mexico, $335,194 from Central America, $40,579 from West Indies, $44,718 from United Kingdom, $4,196 from Canada, and the remainder from South America and Hongkong.

The value of silver contained in ore and base bullion imported was $15,589,586, of which $13,125,739 came from Mexico, $1,905,490 from Canada, $556,731 from South America, $1,600 from Central America, and $26 from Australasia.

United States silver coin, of the value of $435,998, was returned to this country, of which $369,134 came from Canada, $56,244 from West Indies, and the remainder from various countries.

The total silver imports were as follows:

SILVER IMPORTS FISCAL YEAR 1903.

Items.	Value.
Foreign bullion	$4,984,447
Foreign coin	3,153,460
Silver contained in ore	15,589,586
Total foreign	23,727,493
United States coin	435,998
Total imports	24,163,491

SILVER EXPORTS.—The total value of silver exported during the fiscal year was $44,250,259, of which $40,121,497 was domestic and $4,128,762 was foreign.

During the year there was exported 78,631,873 ounces of domestic bullion of the commercial value of $39,818,052, of which $32,465,842 went to the United Kingdom, $4,120,614 to Hongkong, $1,132,703 to British East Indies, $1,141,999 to France, and the remainder to various countries.

The exports of domestic coin amounted to $218,118, of which $164,990 went to West Indies, $33,082 to Canada, and the remainder to various countries.

Silver contained in domestic ore and base bullion exported amounted to $85,327, of which $70,491 went to Canada, $12,586 to United Kingdom, and $2,250 to Germany.

The exports of foreign silver was $4,128,762, consisting of foreign coins, of which $2,699,395 went to Hongkong, $390,683 to South America, $396,100 to United Kingdom, $112,303 to Canada, $77,921 to Central America, $267,986 to Philippine Islands, and the remainder to various countries.

SILVER EXPORTS FISCAL YEAR 1903.

Items.	Value.
Domestic bullion	$39,818,052
United States coin	218,118
Silver contained in ore	85,327
Total domestic	40,121,497
Foreign coin	4,128,762
Total exports	44,250,259

MOVEMENT OF GOLD FROM THE PORT OF NEW YORK.

The superintendent of the United States assay office at New York has prepared the following tables giving exports of gold through the port of New York during the fiscal year ended June 30, 1903:

STATEMENT OF UNITED STATES GOLD COIN AND GOLD BULLION EXPORTED FROM THE PORT OF NEW YORK TO EUROPE DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

Date.	Country.	Amount.	Rate of exchange.
1902.			
July 21	Germany	$907,348	$4.87½
July 23	France	1,748,779	4.88
July 28	do	1,788,450	4.88
Do	Germany	1,908,205	4.88
July 30	France	1,106,723	4.88
August 6	Germany	519,445	4.88
Do	do	3,800	4.88
September	do	4,200	4.88
October	do	4,300	4.88
Do	France	32,171	
1903.			
April 28	France	505,000	4.87½
May 11	do	1,503,447	4.88
May 18	do	2,327,929	4.88
May 20	do	1,278,675	4.88
May 26	do	2,212,613	4.88
June 2	Germany	1,213,002	4.88
June 3	France	3,522,988	4.88
June 8	Germany	251,282	4.87½
June 22	France	1,268,815	4.87½
Do	Germany	1,311,918	4.87½
June 24	France	1,516,196	4.87½
	Total	23,935,286	

RECAPITULATION OF GOLD EXPORTS TO EUROPE.

Description.	France.	Germany.
Foreign coins		$5,900
U. S. Assay Office, New York bars	$17,779,175	6,111,200
Bullion	32,611	
In ore		12,300
Total	17,811,786	6,129,400
Grand total of exports to Europe		$23,941,186
During the same period there were shipped to West Indies, Mexico, Central and South America the following, viz:		
United States coins	$11,191,419	
Foreign coins	2,317,264	
Total gold exports to other ports		13,508,683
Grand total of gold exports		37,449,86

The imports during the same period were as follows, viz:

From Europe:		
Foreign coins		3,899,212
Bullion		2,858,835
In ore		100
Total gold from Europe		6,758,147
From other ports (West Indies, Mexico, Central and South America):		
United States coins	$544,754	
Foreign coins	214,235	
Bullion	1,097,364	
In ore	349,951	
Total from other ports		2,206,304
Grand total of gold imports		8,964,451

During the same period there was exported to England 6,015 ounces of copper matte, containing $3,261 in silver, and no gold.

STOCK OF MONEY IN THE UNITED STATES.

It has been the custom to present in the reports of this Bureau an estimate of the stock of domestic gold and silver coin in the United States at the end of each calendar and fiscal year.

The estimated stock of domestic coin in the United States at the end of the fiscal year (June 30, 1903) was, gold, $1,092,041,185; silver, $659,841,236; a total of $1,751,882,421.

OFFICIAL TABLE OF STOCK OF COIN IN THE UNITED STATES JUNE 30, 1903.

Items.	Gold.	Silver.	Total.
Estimated stock of coin, June 30, 1902	$1,068,311,784	$637,358,923	$1,705,670,707
Net imports, United States coin, fiscal year 1903		217,880	217,880
Coinage, fiscal year 1903	45,721,773	25,996,536	71,718,309
Total	1,114,033,557	663,573,339	1,777,606,896
Loss:			
Net exports, United States coin, fiscal year 1903	16,521,904		16,521,904
United States coin melted for recoinage	970,468	3,632,103	4,602,571
United States coin taken out in transports for disbursement in the Philippine Islands, not recorded at the custom-house, fiscal year 1903	2,000,000		2,000,000
United States coin estimated to have been used in the arts	2,500,000	100,000	2,600,000
Total	21,992,372	3,732,103	25,724,475
Estimated stock of coin in the United States June 30, 1903	1,092,041,185	659,841,236	1,751,882,421

NOTE.—The number of standard silver dollars coined to June 30, 1903, was 560,170,650, which, added to the Hawaiian dollar coinage of 500,000, equals 560,670,650. Since July 1, 1898, the number of standard silver dollars exported has been 2,345,000 (deducting number returned from the Philippine Islands June, 1902, 150,000). Since 1883 the number melted has been 179,481 (Report of the Director of the Mint, 1903, page 17), and the number of Hawaiian dollars melted has been 339,500, a total disposition of 2,863,981, leaving in the United States June 30, 1903, 557,806,669 standard silver dollars and $102,034,567 in subsidiary silver coins.

In the above table the amount of coin melted for recoinage is taken at its face value, and the sources from which these amounts were obtained will be found in a table in the appendix of this report.

In addition to the domestic coin in the country there was, on June 30, 1903, in the mints and assay offices bullion belonging to the Government valued as follows:

BULLION IN MINTS AND ASSAY OFFICES JUNE 30, 1903.

Metal.	Value.
Gold	$157,511,571
Silver (cost)	17,603,302
Total	175,114,873

The stock of silver bullion in the vaults of the Mercantile Safe Deposit Company, in New York City, at the close of business June 30, 1903, was 8,257 ounces of fine silver, of the market value of $4,395.

The total metallic stock, coin, and bullion in the United States on June 30, 1903, was as follows:

METALLIC STOCK JUNE 30, 1903.

Coin and bullion.	Value.
Gold	$1,249,552,756
Silver (bullion in mints and Mercantile Safe Deposit Co.'s vaults)	677,448,933
Total	1,927,001,689

The total metallic stock June 30, 1902, was as follows:

METALLIC STOCK JUNE 30, 1902.

Coin and bullion.	Value.
Gold	$1,192,395,607
Silver (bullion in mints and Mercantile Safe Deposit Co.'s vaults)	670,540,105
Total	1,862,935,712

The increase in the stock of gold during the fiscal year 1903 was $57,157,149 and silver $6,908,828, a total of $64,065,977.

OWNERSHIP OF THE METALLIC STOCK.

The ownership of the metallic stock of the United States, comprising gold and silver bullion and coin, on June 30, 1903, was as follows:

OWNERSHIP OF GOLD AND SILVER IN THE UNITED STATES JUNE 30, 1903.

Ownership.	Gold coin and bullion.	Silver coin and bullion.				Total gold and silver coin and bullion.
		Silver dollars.	Subsidiary coin.	Silver bullion.	Total silver.	
United States Treasury (free)	$255,033,458	$30,682,416	$9,307,873	$17,603,302	$57,593,591	$312,627,049
United States Treasury (for certificates outstanding)	377,258,559	454,733,013			454,733,013	831,991,572
National banks	107,539,938	10,560,422	9,114,765		19,675,187	127,215,125
Clearing houses (for certificates outstanding)	64,984,000					64,984,000
Private banks and individuals	444,736,801	61,830,818	83,611,929	4,395	145,447,142	590,183,943
Total	1,249,552,756	557,806,669	102,034,567	17,607,697	677,448,933	1,927,001,689

The ownership of the metallic stock of the United States, comprising gold and silver bullion and coin, on June 30, 1902, was as follows:

OWNERSHIP OF GOLD AND SILVER IN THE UNITED STATES JUNE 30, 1902.

Ownership.	Gold coin and bullion.	Silver coin and bullion.				Total gold and silver coin and bullion.
		Silver dollars.	Subsidiary silver coin.	Silver bullion.	Total silver.	
United States Treasury	[a] $263,602,309	[b] $21,870,150	$11,162,534	$33,160,616	$69,193,330	$323,095,639
National banks (July 16, 1902)	[c] 323,118,813	[d] 72,846,436	8,798,719	.....	81,645,155	404,763,968
Private banks and individuals	615,674,485	442,458,575	76,922,509	20,536	519,401,620	1,135,076,105
Total	1,192,395,607	540,175,161	97,183,762	33,181,182	670,540,105	1,862,935,712

[a] Gold coin and bullion in Treasury, exclusive of $306,399,009, for which gold certificates were outstanding.
[b] Silver dollars in Treasury, exclusive of $446,557,662 silver certificates outstanding.
[c] Includes $214,916,430 Treasury and clearing-house gold certificates.
[d] Includes $62,466,880 silver certificates held by national banks.

STOCK AND LOCATION OF THE METALLIC AND PAPER MONEY IN THE UNITED STATES.

The following table exhibits the stock of metallic and paper money in the United States and the location of the same on June 30, 1903:

LOCATION OF MONEYS OF THE UNITED STATES JUNE 30, 1903.

Moneys.	In Treasury.	In national banks June 9, 1903.	In other banks and in circulation.	Total.
METALLIC.				
Gold bullion	$157,511,571	.....	.....	$157,511,571
Silver bullion	17,603,302	.....	$4,395	.....
Gold coin	474,780,446	[a] $172,523,938	444,736,801	1,092,041,185
Silver dollars	485,415,429	10,560,422	61,830,818	557,806,669
Subsidiary silver coin	9,307,873	9,114,765	83,611,929	102,034,567
Total metallic	1,144,618,621	192,199,125	590,183,943	1,909,393,992
PAPER.				
Legal-tender notes (old issue)	12,432,449	163,592,829	170,655,738	346,681,016
Legal-tender notes (act of July 14, 1890)	166,352	.....	19,076,648	19,243,000
National-bank notes	13,673,941	[b] 34,766,096	361,057,914	409,497,951
Total notes	26,272,742	198,358,925	550,790,300	775,421,967
Gold certificates	31,861,310	133,066,520	244,192,039	.....
Silver certificates	9,972,987	63,350,733	391,382,280	.....
Total certificates	41,834,297	196,417,253	635,574,319	.....
Grand total	.....	586,975,303	1,776,548,562	2,684,815,959

[a] Includes $64,984,000 gold clearing-house certificates.
[b] Includes $7,140,411 of their own notes held by different national banks.

The following table exhibits the stock of metallic and paper money in the United States and the location of the same on June 30, 1902:

LOCATION OF MONEYS OF THE UNITED STATES JUNE 30, 1902.

Moneys.	In Treasury.	In national banks July 16, 1902.	In other banks and in circulation.	Total.
METALLIC.				
Gold bullion	$124,083,823			$124,083,823
Silver bullion	33,160,646		$20,536	
Gold coin	435,917,495	[a] $190,301,383	442,092,906	1,068,311,784
Silver dollars	471,427,812	[a] 9,379,556	58,367,793	540,175,161
Subsidiary silver coin	11,462,534	8,798,719	76,922,509	97,183,762
Total metallic	1,076,052,310	209,479,658	577,403,744	1,829,754,530
PAPER.				
Legal-tender notes (old issue)	12,389,294	164,854,292	169,437,430	346,681,016
Legal-tender notes (act of July 14, 1890)	197,224		29,802,776	30,000,000
National-bank notes	11,195,575	[b] 31,854,339	313,622,177	356,672,091
Total notes	23,782,093	196,708,631	512,862,383	733,353,107
Gold certificates	40,213,080	132,817,430	173,581,579	
Silver certificates	7,439,338	62,466,880	384,090,782	
Total certificates	47,652,418	195,284,310	557,672,361	
Grand total		601,472,599	1,647,938,488	2,563,107,637

[a] Includes $82,099,000 gold clearing-house certificates.
[b] Includes $5,683,036 of their own notes held by different national banks.

STOCK OF GOLD AND SILVER IN THE UNITED STATES SINCE 1873.

The stock of gold and silver and the amount per capita at the close of each fiscal year since 1873 in the United States are exhibited in the following table, compiled from the reports of the Director of the Mint:

ESTIMATED STOCK OF GOLD AND SILVER IN THE UNITED STATES AND THE AMOUNT PER CAPITA AT THE CLOSE OF EACH FISCAL YEAR SINCE 1873.

Fiscal year ended June 30—	Population.	Total coin and bullion.		Per capita.		
		Gold.	Silver.	Gold.	Silver.	Total metallic.
1873	41,677,000	$135,000,000	$6,149,305	$3.23	$0.15	$3.38
1874	42,796,000	147,379,493	10,355,478	3.44	.24	3.68
1875	43,951,000	121,134,906	19,367,995	2.75	.44	3.19
1876	45,137,000	130,056,907	36,415,992	2.88	.81	3.69
1877	46,353,000	167,501,472	56,464,427	3.61	1.21	4.82
1878	47,598,000	213,199,977	88,047,907	4.47	1.85	6.32
1879	48,866,000	245,741,837	117,526,341	5.02	2.40	7.42
1880	50,155,783	351,841,206	148,522,678	7.01	2.96	9.97
1881	51,316,000	478,484,538	175,384,144	9.32	3.41	12.73
1882	52,495,000	506,757,715	203,217,124	9.65	3.87	13.52
1883	53,693,000	542,732,063	233,007,985	10.10	4.34	14.44
1884	54,911,000	545,500,797	255,568,142	9.93	4.65	14.58
1885	56,148,000	588,697,036	283,478,788	10.48	5.05	15.53
1886	57,404,000	590,774,461	312,252,844	10.29	5.44	15.73
1887	58,680,000	654,520,335	352,993,566	11.15	6.00	17.15
1888	59,974,000	705,818,855	388,611,108	11.76	6.44	18.20
1889	61,289,000	680,063,505	420,548,929	11.09	6.86	17.95
1890	62,622,250	695,563,029	463,211,919	11.10	7.39	18.49
1891	63,975,000	646,582,852	522,277,740	10.10	8.16	18.26
1892	65,520,000	664,275,335	570,313,544	10.15	8.70	18.85
1893	66,946,000	597,697,685	615,861,484	8.93	9.20	18.13
1894	68,397,000	627,293,201	624,347,757	9.18	9.13	18.31
1895	69,878,000	636,229,825	625,854,949	9.10	8.97	18.07
1896	71,390,000	599,597,964	628,728,071	8.40	8.81	17.21
1897	72,937,000	696,270,542	634,509,781	9.55	8.70	18.25
1898	74,522,000	861,514,780	637,672,743	11.56	8.56	20.12
1899	76,148,000	962,865,505	639,286,743	12.64	8.40	21.04
1900	76,891,000	1,034,439,264	647,371,030	13.45	8.42	21.87
1901	77,754,000	1,124,652,818	661,205,403	14.47	8.50	22.97
1902	79,117,000	1,192,395,607	670,540,105	15.07	8.48	23.55
1903	80,847,000	1,249,552,756	677,448,933	15.45	8.38	23.83

UNITED STATES GOLD COIN IN CANADA.

Canada has never had a gold coinage, the gold coin of Great Britain and the United States being invested with legal-tender powers and used as the reserve for the Dominion notes and bank notes.

The holdings of United States gold coin in the Dominion treasury on the 30th of June, 1885, and each year since have been as follows:

Year.	Value.	Year.	Value.
1885	$1,916,270	1895	$6,954,454
1886	2,482,773	1896	8,219,631
1887	1,818,563	1897	10,338,447
1888	2,768,783	1898	9,637,483
1889	2,799,333	1899	11,487,197
1890	2,874,158	1900	11,086,273
1891	3,648,036	1901	13,001,465
1892	4,237,349	1902	17,260,375
1893	6,043,473	1903	23,554,485
1894	6,883,335		

The holdings of the chartered banks of Canada (34 in number) on the 30th day of June, 1903, aggregated $10,875,899. The total amount of United States gold coin in sight in Canadian reserves on the foregoing date was, therefore, $34,430,384.

STOCK OF MONEY IN THE PRINCIPAL COUNTRIES OF THE WORLD IN 1873.

Inquiries have frequently been received within the last few years asking for information as to the stock of money in the principal countries of the world at different periods, and especially as to 1873. To answer such inquiries, as far as practicable, the following table, showing the stock of money in 1873 in the countries named therein, has been compiled from the most reliable data obtainable:

APPROXIMATE STOCKS OF MONEY IN THE AGGREGATE, AND PER CAPITA, IN THE PRINCIPAL COUNTRIES OF THE WORLD, 1873.

Countries.	Population.	Stock of gold.	Stock of silver.	Uncovered paper.	Per capita.			
					Gold.	Silver.	Paper.	Total.
United States	41,700,000	$135,000,000	$6,150,000	$749,445,000	$3.24	$0.15	$17.97	$21.36
Great Britain	31,800,000	160,000,000	95,000,000	59,800,000	5.03	2.99	1.88	9.90
France	36,100,000	450,000,000	500,000,000	385,300,000	12.47	13.85	10.67	36.99
Germany	41,000,000	160,200,000	306,235,000	90,800,000	3.91	7.47	2.21	13.59
Russia	82,200,000	149,100,000	18,600,000	618,100,000	1.81	.23	7.52	9.56
Italy	26,800,000	20,000,000	23,000,000	87,800,000	.75	.86	3.27	4.88
Belgium	5,200,000	25,000,000	15,000,000	35,100,000	4.81	2.88	6.75	14.44
Netherlands	5,900,000	12,000,000	37,300,000	15,300,000	3.08	9.56	3.92	16.56
Austria-Hungary	35,900,000	35,000,000	40,000,000	265,800,000	.98	1.11	7.40	9.49
Australasia	2,600,000	50,000,000	3,000,000		19.23	1.15		20.38
Denmark	1,800,000	4,100,000	7,500,000	6,500,000	2.28	4.16	3.61	10.05
Sweden	4,400,000	1,800,000	4,300,000	6,000,000	.41	.98	1.36	2.75
Norway	1,800,000	7,600,000	1,600,000	2,300,000	4.22	.89	1.28	6.39
Total		1,209,800,000	1,057,685,000	2,322,545,000				

WORLD'S STOCK OF MONEY.

The monetary systems and an estimate of the approximate stock of gold, silver, and uncovered paper money in the different countries of the world at the close of the calendar year 1902 are shown in the following table, compiled from official and unofficial sources, the latter being used only in the absence of official information.

MONETARY SYSTEMS, AND APPROXIMATE STOCKS OF MONEY IN THE AGGREGATE AND

	Countries.	Monetary standard.	Monetary unit.	Ratio between gold and full legal-tender silver.	Ratio between gold and limited-tender silver.	Population.
1	United States	Gold	Dollar	1 to 15.98	1 to 14.95	79,800,000
2	Austria-Hungary	do	Crown		1 to 13.69	47,100,000
3	Belgium	do	Franc	1 to 15½	1 to 14.38	6,700,000
	British Empire:					
4	Australasia	do	Pound sterling		1 to 14.28	5,500,000
5	Canada	do	Dollar		1 to 14.28	5,400,000
6	Cape Colony	do	Pound sterling		1 to 14.28	2,400,000
7	Great Britain	do	do		1 to 14.28	41,600,000
8	India	do	Pound sterling and rupee.	1 to 21.90	1 to 21.90	295,200,000
9	South African Republic	do	Pound sterling		1 to 14.28	1,200,000
10	Bulgaria	do	Lev	1 to 15½	1 to 14.38	3,700,000
11	Cuba	do	Peseta	1 to 15½	1 to 14.28	1,600,000
12	Denmark	do	Crown		1 to 14.88	2,600,000
13	Egypt	do	Piaster		1 to 15.68	9,800,000
14	Finland	do	Markkaa		1 to 15.50	2,700,000
15	France	do	Franc	1 to 15½	1 to 14.38	38,900,000
16	Germany	do	Mark		1 to 13.95	56,400,000
17	Greece	do	Drachma	1 to 15½	1 to 14.38	2,400,000
18	Haiti	do	Gourde	1 to 15½	1 to 14.38	1,000,000
19	Italy	do	Lira	1 to 15½	1 to 14.38	32,500,000
20	Japan	do	Yen		1 to 28.75	47,600,000
21	Netherlands	do	Florin	1 to 15⅝	1 to 15.13	5,300,000
22	Norway	do	Crown		1 to 14.88	2,200,000
23	Portugal	do	Milreis		1 to 14.09	5,400,000
24	Roumania	do	Lei	1 to 15½	1 to 14.38	6,000,000
25	Russia	do	Ruble		1 to 23.24	130,900,000
26	Servia	do	Dinar	1 to 15½	1 to 14.38	2,500,000
27	South American States	do.[e]	Peso	1 to 15½	1 to 14.38	38,800,000
28	Spain	do	Peseta	1 to 15½	1 to 14.38	18,600,000
29	Sweden	do	Crown		1 to 14.88	5,200,000
30	Switzerland	do	Franc	1 to 15½	1 to 14.38	3,300,000
31	Turkey	do	Piaster		1 to 15.09	24,000,000
32	Central American States	Silver[h]	Peso			4,200,000
33	China	do	Tael			330,100,000
34	Mexico	do	Peso	1 to 16⅛	1 to 16¼	13,600,000
35	Siam	Gold	Tical			6,300,000
36	Straits Settlements[f]	Silver	Dollar			5,100,000
	Total					1,285,600,000

[a] Information furnished through United States representatives.
[b] Estimate, Bureau of the Mint.
[c] L'Économiste Européen, January, 1902 (stock in banks).
[d] C. Cramer Frey.
[e] Except Bolivia and Colombia.
[f] Includes Straits Settlements, the Malay States, and Johare (Straits Settlements Currency Committee, May, 1903).

PER CAPITA, IN THE PRINCIPAL COUNTRIES OF THE WORLD, ON DECEMBER 31, 1902.

Stock of gold.	Stock of silver.			Uncovered paper.	Per capita.				
	Full tender.	Limited tender.	Total.		Gold.	Silver.	Paper.	Total.	
$1,248,000,000	$573,200,000	$100,100,000	$673,300,000	$456,100,000	$15.64	$8.44	$5.71	$29.79	1
a 283,000,000	.....	a 81,100,000	a 81,100,000	a 46,600,000	6.01	1.72	.99	8.72	2
c 16,000,000	b 20,000,000	c 5,600,000	b c 25,600,000	c 108,300,000	2.39	3.82	16.16	22.37	3
a 128,600,000	.....	a 6,100,000	a 6,100,000	.....	23.38	1.11	.....	24.49	4
b 33,800,000	.....	a 6,700,000	a 6,700,000	a 56,900,000	6.26	1.24	10.54	18.04	5
b 37,500,000	.....	b 1,000,000	b 1,000,000	.....	15.62	.42	.....	16.04	6
b 548,100,000	.....	a 116,800,000	a 116,800,000	a 117,900,000	13.18	2.80	2.83	18.81	7
g 63,200,000	a 515,800,000	.....	a 515,800,000	a 32,400,000	.21	1.75	.11	2.07	8
b 29,200,000	.....	b 1,200,000	b 1,200,000	.....	24.33	1.00	.....	25.33	9
c 1,000,000	b 2,000,000	c 2,300,000	b c 4,300,000	c 1,000,000	.27	.78	.27	1.32	10
b 2,000,000	.....	b 1,500,000	b 1,500,000	.....	1.25	.94	.....	2.19	11
a 15,500,000	.....	a 5,900,000	a 5,900,000	a 7,800,000	5.96	2.27	3.00	11.23	12
b 30,000,000	.....	a 6,400,000	a 6,400,000	.....	3.06	.65	.....	3.71	13
c 4,100,000	.....	c 600,000	c 600,000	c 9,100,000	1.52	.22	3.37	5.11	14
b 947,700,000	a 373,500,000	a 46,300,000	a 419,800,000	a 158,200,000	24.36	10.79	4.07	39.22	15
b 763,500,000	a 62,800,000	a 144,700,000	a 207,500,000	a 184,100,000	13.54	3.68	3.26	20.48	16
c 200,000	b 500,000	b 1,000,000	b 1,500,000	a 48,700,000	.08	.63	20.29	21.00	17
a 1,000,000	a 1,000,000	a 1,200,000	a 2,200,000	a 3,500,000	1.00	2.20	3.50	6.70	18
a 107,700,000	b 16,000,000	a 21,700,000	a b 37,700,000	a 171,300,000	3.31	1.16	5.27	9.74	19
a 62,600,000	.....	a 30,100,000	a 30,400,000	a 61,300,000	1.31	.64	1.29	3.24	20
a 21,300,000	a 52,600,000	a 4,000,000	a 56,600,000	b 20,800,000	4.02	10.68	3.92	18.62	21
a 8,200,000	.....	a 3,500,000	a 3,500,000	a 7,900,000	3.73	1.59	3.59	8.91	22
a 5,300,000	.....	a 6,500,000	a 6,500,000	a 63,000,000	.98	1.20	11.67	13.85	23
c 14,300,000	.....	c 800,000	c 800,000	c 8,100,000	2.38	.13	1.35	3.86	24
a 746,200,000	.....	a 101,600,000	a 194,600,000	.....	5.70	.80	.....	6.50	25
c 1,900,000	.....	c 1,700,000	c 1,700,000	a 4,300,000	.76	.68	1.72	3.16	26
a 77,600,000	a 4,000,000	a 16,200,000	a 20,200,000	a 1,082,700,000	2.00	.53	27.90	30.43	27
a 75,800,000	.....	a 173,700,000	a 173,700,000	a 142,900,000	4.08	9.34	7.68	21.10	28
a 17,800,000	.....	a 7,000,000	a 7,000,000	a 29,000,000	3.42	1.35	5.58	10.35	29
b 29,900,000	.....	d 10,700,000	d 10,700,000	a 20,700,000	9.06	3.24	6.27	18.57	30
b 50,000,000	b 30,000,000	b 10,000,000	b 40,000,000	.....	2.08	1.67	.....	3.75	31
a 2,000,000	a 7,000,000	.....	a 7,000,000	a 30,200,000	.48	1.66	7.19	9.33	32
.....	750,000,000	.....	750,000,000	.....	.....	2.27	.....	2.27	33
b 8,600,000	a 106,000,000	.....	a 106,000,000	a 54,000,000	.63	7.79	3.97	12.39	34
b 1,000,000	a 193,000,000	.....	a 193,000,000	a 2,600,000	.16	30.63	.41	31.20	35
.....	a 30,000,000	a 6,900,000	a 36,900,000	a 4,100,000	.....	7.23	.80	8.03	36
5,382,600,000	2,737,400,000	926,800,000	3,664,200,000	2,933,500,000	4.19	2.85	2.28	9.32	

g Report of head commissioner of paper currency.
h Except Costa Rica and British Honduras, gold-standard countries.

NOTE.—The value of the monetary stock of silver-standard countries has not been changed to conform to the decline in silver values. The monetary stock of Mexico and other countries where the Mexican dollar circulates is given in Mexican dollars.

The foregoing table of the world's stock of money is for December 31, 1902. It is submitted as giving the best information obtainable, but unsatisfactory in many respects owing to defective returns. The world's stock of gold in monetary use foots up $5,283,600,000; of silver, $3,664,200,000, and of uncovered paper, $2,933,500,000, showing, as compared with the estimate of December 31, 1901, an increase in gold of $208,200,000; increase in uncovered paper of $12,400,000, and a decrease in silver of $183,000,000. The most important gains in gold were $73,400,000 for the United States; $26,000,000 for Austria-Hungary; $44,200,000 for France; $31,600,000 for Russia, and $14,000,000 for India.

The decrease shown in silver is due to a reduction in the estimates for Portugal and the Straits Settlements, and not to actual destruction of existing stocks. The estimate given for the Straits Settlements in previous years was obtained some years ago from good authority, but has been abandoned for the very much lower one made by the currency committee which, during the past year, has made inquiry concerning the advisability of placing the Straits Settlements on a gold basis.

The estimate for Siam is continued at the figures heretofore used, although they are probably too high. They were procured in 1896 from the Siamese Government by Hon. John Barrett, United States minister. Mr. Barrett then estimated that $150,000,000 of this stock was in hoards, and not over $43,000,000 (Mexican) in daily circulation. The country is now on a gold basis. The stock of Siamese coin in the treasury and banks on December 31, 1903, was 16,500,000 ticals, or $9,900,000 gold value.

On December 31, 1902, the United States, Great Britain, Germany, Austria-Hungary, France, and Russia, with a total population of 394,700,000, held $4,536,500,000, or over 84 per cent of the world's stock of gold.

GOLD AND SILVER USED IN THE INDUSTRIAL ARTS.

The Bureau of the Mint makes an annual inquiry into the amount of gold and silver used in the arts and manufactures within the United States. The mint service, for the accommodation of the public, prepares fine gold and silver bars of convenient weights for industrial use, and is the largest purveyor to the trade. The private refiners have, with uniform courtesy, supplied the Bureau with the figures for their sales. Together these cover the amount supplied to manufacturers in bars, and there remains only to make an estimate of the amount of coin melted for their uses. This is arrived at by a circular of inquiry directed to the retail and manufacturing jewelers.

The quantity and value of the bars issued by the United States mints at Philadelphia, San Francisco, and New Orleans, and the assay office at New York during the calendar year 1902 is given in the following table:

STATEMENT OF GOLD AND SILVER BARS ISSUED FOR USE IN THE INDUSTRIAL ARTS BY THE GOVERNMENT INSTITUTIONS DURING THE CALENDAR YEAR ENDED DECEMBER 31, 1902.

Material used.	Gold.		Silver.	
	Fine ounces.	Value.	Fine ounces.	Coining value.
Domestic bullion, new material	869,291.834	$17,969,857.06	1,607,462.46	$2,078,335.30
Old jewelry, etc	115,654.104	2,390,782.51	581,157.31	751,395.30
Foreign material	41,182.397	851,315.69	992,923.60	1,283,780.01
United States coin	216.571	4,476.91	200.35	259.03
Total	1,026,344.906	21,216,432.17	3,181,743.72	4,113,769.64

The United States coin given in the above table was either mutilated or abraded.

The percentage of the different materials used in the manufacture of bars by the Government institutions was as follows:

UNITED STATES BARS.

Material used.	Gold.	Silver.
	Per cent.	*Per cent.*
New material	84.7	50.5
Old material	11.3	18.3
Foreign material	4	31.2
United States coin	.....	.....
Total	100	100

The percentage in the above table shows that the total domestic gold bullion used for industrial purposes was 84.7 per cent of the entire amount used; old jewelry, 11.3 per cent, and foreign material, 4 per cent. There was no domestic gold coin used by the Government institutions.

In the silver consumption domestic bullion was 50.5 per cent; old jewelry, 18.3 per cent, and foreign material, 31.2 per cent. There was no domestic silver coin used by the Government institutions.

The quantity and value of the bars manufactured by private refineries in the United States and sold to manufacturers and jewelers during the calendar year 1902 was as follows:

BARS FOR INDUSTRIAL USE MANUFACTURED BY PRIVATE REFINERIES AND FURNISHED GOLDSMITHS AND OTHERS DURING THE CALENDAR YEAR 1902.

Material used.	Gold.		Silver.	
	Fine ounces.	Value.	Fine ounces.	Coining value.
Domestic bullion, new material	33,077	$683,768	13,629,248	$17,621,654
United States coin	20,343	420,514	500	646
Foreign material	17	357	296,700	383,612
Old plate, jewelry, and other material	110,622	2,286,767	2,160,173	2,792,952
Total	164,059	3,391,406	16,086,621	20,798,864

The number of firms addressed was 73; 58 replied that they had manufactured bars and 15 reported that they had manufactured no bars during the year.

Of the bars furnished by private refineries for industrial use, $3,391,406 in gold and $20,798,804 (coining value) in silver were "United States bars" that is, bars bearing the stamp of Government institutions—and in order to avoid duplication these amounts are deducted from the totals.

The quantity and value of bars sold manufacturers and jewelers by the private refineries, after eliminating the "United States bars," was as follows:

The percentage of the different materials used by private refineries in the manufacture of bars was as follows:

PRIVATE REFINERY BARS.

Material used.	Gold.	Silver.
	Per cent.	*Per cent.*
Old material	67.4	13.4
New material	20.2	84.7
United States coin	12.4	.....
Foreign material	.....	1.9
Total	100.0	100.0

The total consumption of the precious metals in the arts during the year, reported to this Bureau by Government institutions and private refineries, was as follows:

GOLD AND SILVER BARS FURNISHED MANUFACTURERS FOR USE IN THE ARTS DURING THE CALENDAR YEAR 1902.

Material used.	Gold.	Silver (coining value).	Total.
Domestic bullion	$18,653,625	$19,699,990	$38,353,615
United States coin	424,991	905	425,896
Foreign material	851,673	1,667,392	2,519,065
Old material	4,677,549	3,544,347	8,221,896
Total	24,607,838	24,912,634	49,520,472

The percentage of the different materials used in the manufacture of bars for industrial purposes during the year 1902 was as follows:

Material used.	Gold.	Silver.
	Per cent.	*Per cent.*
New material	75.8	79.1
Old material	19	14.2
Foreign material	3.5	6.7
United States coin	1.7	.....
Total	100	100

For some years the amount of United States gold coin used in manufactures has been estimated at $1,500,000 per year. Recent investigations have indicated that this is too low, and as a result of their findings this Office began, on January 1, 1903, in its monthly estimate of the stock of the country, to calculate the industrial consumption at the rate of $3,500,000 per year.

In the Report upon the Production of the Precious Metals issued by this Bureau for the year 1902 the total industrial consumption was calculated as follows, the figures for gold and silver coin being $1,500,000 for gold and $100,000 for silver:

INDUSTRIAL CONSUMPTION OF THE PRECIOUS METALS DURING THE CALENDAR YEAR 1902.

Material used.	Gold.	Silver (coining value).	Total.
Domestic bullion, new material	$18,653,625	$19,699,990	$38,353,615
United States coin	1,500,000	100,000	1,600,000
Foreign material	851,673	1,667,392	2,519,065
Old material	4,677,549	3,544,347	8,221,896
Total	25,682,847	25,011,729	50,694,576

The value of the gold bars furnished to the trade in exchange for gold coin monthly by the United States mint at Philadelphia and assay office at New York, under the provisions of the act of May 26, 1882, was as follows:

GOLD BARS EXCHANGED FOR GOLD COIN AT THE MINT AT PHILADELPHIA AND ASSAY OFFICE AT NEW YORK DURING THE CALENDAR YEAR 1902.

Months.	Philadelphia.	New York.	Total.
1902.			
January	$303,810.02	$1,406,492.86	$1,710,302.88
February	262,816.72	8,605,302.50	8,868,119.22
March	286,721.09	4,806,920.24	5,093,641.33
April	307,534.89	3,470,953.87	3,778,488.76
May	238,649.51	901,410.36	1,140,059.87
June	238,101.22	1,016,467.26	1,254,568.48
July	262,109.59	8,271,358.69	8,533,468.28
August	321,518.23	1,593,801.04	1,915,319.27
September	295,921.99	1,286,207.77	1,582,129.76
October	398,684.29	1,475,311.66	1,873,995.95
November	317,140.68	1,168,717.26	1,485,857.94
December	254,921.55	1,002,208.42	1,257,129.97
Total	3,487,929.78	35,005,151.93	38,493,081.71

These figures include both small bars manufactured for use in the arts and large bars manufactured for export.

The total amount was distributed as follows:

Exported	$22,559,854.71
Employed for industrial purposes	15,933,227.00
Total	38,493,081.71

The following table shows the amounts and the classification of gold and silver used in the industrial arts in the United States each year since 1880:

GOLD AND SILVER BARS FURNISHED FOR USE IN MANUFACTURES AND THE ARTS, AND CLASSIFICATION OF THE MATERIAL USED, BY CALENDAR YEARS, SINCE 1880.

GOLD.

Calendar year.	United States coin.	New material.	Old material.	Foreign bullion and coin.	Total.
1880	$3,300,000	$6,000,000	$395,000	$1,267,600	$10,962,600
1881	2,700,000	7,000,000	522,900	1,547,800	11,770,700
1882	2,500,000	7,000,000	696,500	671,500	10,868,000
1883	4,875,000	7,840,000	1,549,300	194,500	14,458,800
1884	5,000,000	6,000,000	3,114,500	385,500	14,500,000
1885	3,500,000	6,736,927	1,408,902	178,913	11,824,742
1886	3,500,000	7,003,480	1,928,046	638,003	13,069,529
1887	3,500,000	9,090,342	1,835,882	384,122	14,810,346
1888	3,500,000	9,893,057	2,402,976	718,809	16,514,842
1889	3,500,000	9,686,827	3,218,971	291,258	16,697,056
1890	3,500,000	10,717,472	3,076,426	362,062	17,655,960
1891	3,500,000	10,697,679	4,860,712	628,525	19,686,916
1892	3,500,000	10,588,703	4,468,685	771,686	19,329,074
1893	1,500,000	8,354,482	2,777,165	804,254	13,435,901
1894	1,500,000	6,430,073	2,184,946	543,585	10,658,604
1895	1,500,000	8,481,789	2,976,269	471,027	13,429,085
1896	1,500,000	7,209,787	2,369,343	316,804	11,395,934
1897	1,500,000	7,184,822	2,571,428	613,981	11,870,231
1898	1,500,000	9,463,262	2,164,976	437,641	13,565,879
1899	1,500,000	13,267,287	2,734,985	344,906	17,847,178
1900	1,500,000	14,582,627	3,480,612	584,903	20,148,142
1901	1,500,000	16,296,688	3,386,626	685,642	21,868,956
1902	1,500,000	18,653,625	4,677,549	851,673	25,682,847
Total	61,375,000	218,178,929	58,802,699	13,694,694	352,051,322

SILVER (COINING VALUE).

1880	$600,000	$5,000,000	$145,000	$353,000	$6,098,000
1881	200,000	5,900,000	178,000	371,000	6,649,000
1882	200,000	6,344,300	212,900	440,300	7,197,500
1883	200,000	4,623,700	561,900	155,000	5,540,600
1884	200,000	4,500,000	170,000	650,000	5,520,000
1885	200,000	4,539,875	462,186	62,708	5,264,769
1886	200,000	3,626,195	404,155	825,615	5,055,965
1887	200,000	4,102,734	480,606	654,991	5,438,331
1888	200,000	6,477,857	652,047	771,985	8,101,889
1889	200,000	7,297,933	611,015	657,997	8,766,945
1890	200,000	7,143,635	640,100	1,245,419	9,229,154
1891	200,000	7,289,073	858,126	1,256,101	9,603,300
1892	200,000	7,204,210	647,377	1,249,801	9,301,388
1893	100,000	6,570,737	1,222,836	1,740,704	9,634,277
1894	100,000	8,579,472	1,221,177	982,399	10,883,048
1895	100,000	9,825,387	1,378,136	973,501	12,277,024
1896	100,000	7,965,449	1,076,829	1,061,995	10,204,273
1897	100,000	9,200,497	1,103,460	797,193	11,201,150
1898	100,000	12,176,784	949,312	632,449	11,858,545
1899	100,000	10,845,942	2,047,584	684,137	15,677,663
1900	100,000	13,476,829	2,296,250	1,215,935	17,089,014
1901	100,000	15,268,742	1,562,535	1,342,590	18,273,867
1902	100,000	19,699,990	3,544,347	1,667,392	25,011,729
Total	4,000,000	187,659,341	22,425,878	19,792,212	233,877,431

EXCHANGE OF GOLD BARS FOR GOLD COIN.

The value of gold bars exchanged for gold coin of full legal weight by the United States mint at Philadelphia and the United States assay office at New York during the fiscal year 1903 was $41,338,948.16, as shown by the following table:

Months.	Philadelphia.	New York.	Total.
1902.			
July	$262,109.59	$8,271,358.69	$8,533,468.28
August	321,518.23	1,593,801.04	1,915,319.27
September	295,921.99	1,286,207.77	1,582,129.76
October	398,684.29	1,475,311.66	1,873,995.95
November	317,140.68	1,168,717.26	1,485,857.94
December	254,921.55	1,002,208.42	1,257,129.97

Months.	Philadelphia.	New York.	Total.
1903.			
January	$360,541.79	$1,093,844.18	$1,454,385.97
February	359,279.60	1,134,789.87	1,494,069.47
March	356,462.94	1,193,755.11	1,550,218.05
April	330,615.58	1,623,633.62	1,954,249.20
May	348,950.91	7,434,289.24	7,783,240.15
June	267,897.41	10,186,986.74	10,454,884.15
Total for fiscal year 1903	3,874,044.56	37,464,903.60	41,338,948.16
Total for fiscal year 1902	3,056,020.31	47,759,236.30	50,815,256.61

Of the total value of gold bars, $41,338,948.15, reported as exchanged for gold coin, $23,890,375.40 were exported and $17,448,572.76 were used in the industrial arts.

THE WORLD'S INDUSTRIAL CONSUMPTION OF THE PRECIOUS METALS DURING 1902.

This Bureau estimates the world's consumption of gold and silver in the arts, during 1902, as follows: Gold, 114,000 fine kilograms, of the value of $75,764,400, and silver, 1,509,070 fine kilograms, worth, at $17 per kilogram (commercial value), the average price during 1902, $25,654,190. In these estimates only new material is taken into account.

PRODUCT OF GOLD AND SILVER IN THE UNITED STATES IN 1902.

The detailed statistics of the product of gold and silver in the United States for the calendar year 1902 were presented in a special report to the Secretary of the Treasury.

The distribution of the product among producing States and Territories was as follows:

APPROXIMATE DISTRIBUTION BY PRODUCING STATES AND TERRITORIES OF THE PRODUCT OF GOLD AND SILVER IN THE UNITED STATES FOR THE CALENDAR YEAR 1902.

[As estimated by the Director of the Mint.]

State or Territory.	Gold.		Silver.			Total value (silver at commercial value).
	Fine ounces.	Value.	Fine ounces.	Coining value.	Commercial value.	
Alabama	119	$2,500	100	$129	$53	$2,553
Alaska	403,730	8,345,800	92,000	118,950	48,760	8,394,560
Arizona	198,933	4,112,300	3,043,100	3,934,513	1,612,843	5,725,143
California	812,319	16,792,100	900,800	1,164,671	477,424	17,269,524
Colorado	1,377,175	28,468,700	15,676,000	20,267,960	8,308,280	36,776,980
Georgia	4,730	97,800	400	517	212	98,012
Idaho	71,352	1,475,000	5,854,800	7,569,842	3,103,044	4,578,044
Maryland	121	2,500	.....	.....	.....	2,500
Michigan	.....	.....	110,800	143,257	58,724	58,724
Montana	211,571	4,373,600	13,243,800	17,123,297	7,019,214	11,392,814
Nevada	140,059	2,895,300	3,746,200	4,843,572	1,985,486	4,880,786
New Mexico	25,693	531,100	457,200	591,127	242,316	773,416
North Carolina	4,390	90,700	20,900	27,022	11,077	101,777
Oregon	87,881	1,816,700	93,300	120,630	49,449	1,866,149
South Carolina	5,896	121,900	300	388	159	122,059
South Dakota	336,952	6,965,400	340,200	439,855	180,306	7,145,706
Tennessee	.....	.....	12,300	15,903	6,519	6,519
Texas	.....	.....	446,200	576,905	236,486	236,486
Utah	173,886	3,594,500	10,831,700	14,004,622	5,740,801	9,335,301
Virginia	148	3,100	5,900	7,628	3,127	6,227
Washington	13,166	272,200	619,000	800,323	328,070	600,270
Wyoming	1,879	38,800	5,000	6,464	2,650	41,450
Total	3,870,000	80,000,000	55,500,000	71,757,575	29,415,000	109,415,000

The annual production of gold and silver from the mines of the United States since 1860 is shown in the following table.

(The commercial value of the silver product is reckoned at the average yearly market price of silver and its coining value in United States dollars.)

PRODUCT OF GOLD AND SILVER FROM MINES IN THE UNITED STATES SINCE 1860.

[The estimate for 1860–1872 is by R. W. Raymond, commissioner, and since 1872 by the Bureau of the Mint.]

Calendar year.	Gold.		Silver.		
	Fine ounces.	Value.	Fine ounces.	Commercial value.	Coining value.
1860	2,225,250	$46,000,000	116,015	$157,000	$150,000
1861	2,080,125	43,000,000	1,546,875	2,062,000	2,000,000
1862	1,896,300	39,200,000	3,480,469	4,685,000	4,500,000
1863	1,935,000	40,000,000	6,574,219	8,842,000	8,500,000
1864	2,230,088	46,100,000	8,507,812	11,443,000	11,000,000
1865	2,574,759	53,225,000	8,701,171	11,642,000	11,250,000
1866	2,588,063	53,500,000	7,734,375	10,356,000	10,000,000
1867	2,502,197	51,725,000	10,441,406	13,866,000	13,500,000
1868	2,322,000	48,000,000	9,281,250	12,307,000	12,000,000
1869	2,394,563	49,500,000	9,281,250	12,298,000	12,000,000
1870	2,418,750	50,000,000	12,375,000	16,734,000	16,000,000
1871	2,104,313	43,500,000	17,789,062	23,578,000	23,000,000
1872	1,741,500	36,000,000	22,236,328	29,396,000	28,750,000
Total	29,012,908	599,750,000	118,065,232	157,366,000	152,650,000
1873	1,741,500	36,000,000	27,650,000	35,890,000	35,750,000
1874	1,620,563	33,500,000	28,849,000	36,869,000	37,300,000
1875	1,615,725	33,400,000	24,518,000	30,549,000	31,700,000
1876	1,930,162	39,900,000	30,009,000	34,690,000	38,800,000
1877	2,268,788	46,900,000	30,783,000	36,970,000	39,800,000
1878	2,476,800	51,209,000	34,960,000	40,270,000	45,200,000
1879	1,881,787	38,900,000	31,550,000	35,430,000	40,800,000
1880	1,741,500	36,000,000	30,320,000	34,720,000	39,200,000
1881	1,678,612	34,700,000	33,260,000	37,850,000	43,000,000
1882	1,572,187	32,500,000	36,200,000	41,120,000	46,800,000
1883	1,451,250	30,000,000	35,730,000	39,660,000	46,200,000
1884	1,489,950	30,800,000	37,800,000	42,070,000	48,800,000
1885	1,538,325	31,800,000	39,910,000	42,500,000	51,600,000
1886	1,693,125	35,000,000	39,440,000	39,230,000	51,000,000
1887	1,596,375	33,000,000	41,260,000	40,410,000	53,350,000
1888	1,604,841	33,175,000	45,780,000	43,020,000	59,195,000
1889	1,587,000	32,800,000	50,000,000	46,750,000	64,646,000
1890	1,588,880	32,845,000	54,500,000	57,225,000	70,465,000
1891	1,604,841	33,175,000	58,330,000	57,630,000	75,417,000
1892	1,596,375	33,000,000	63,500,000	55,563,000	82,101,000
1893	1,739,323	35,955,000	60,000,000	46,800,000	77,576,000
1894	1,910,813	39,500,000	49,500,000	31,422,000	64,000,000
1895	2,254,760	46,610,000	55,727,000	36,445,000	72,051,000
1896	2,568,132	53,088,000	58,835,000	39,655,000	76,069,000
1897	2,774,935	57,363,000	53,860,000	32,316,000	69,637,000
1898	3,118,398	64,463,000	54,438,000	32,118,000	70,384,000
1899	3,437,210	71,053,000	54,764,000	32,859,000	70,806,000
1900	3,829,897	79,171,000	57,647,000	35,741,000	74,533,000
1901	3,805,500	78,667,000	55,214,000	33,128,000	71,388,000
1902	3,870,000	80,000,000	55,500,000	29,415,000	71,757,600
Total	63,587,554	1,314,465,000	1,329,834,600	1,178,315,000	1,719,325,600
Grand total	92,600,462	1,914,215,000	1,447,899,232	1,335,681,000	1,871,975,600

Tables showing the product of gold and silver from mines of the United States since 1792 will be found in the appendix.

WORLD'S PRODUCTION, 1900, 1901, AND 1902.

Tables compiled from information furnished by foreign governments through our diplomatic representatives and revised from the latest data, exhibiting the weight and value of the gold and silver product of the principal countries of the world for the calendar years 1900, 1901, and 1902, will be found in the appendix.

The following table shows, by calendar years, the production and value of gold and silver in the world since 1860:

PRODUCT OF GOLD AND SILVER IN THE WORLD SINCE 1860.

[The annual production of 1860 to 1872 is obtained from 5-year period estimates, compiled by Dr. Adolph Soetbeer. Since 1872 the estimates are those of the Bureau of the Mint.]

Calendar year.	Gold.		Silver.		
	Fine ounces.	Value.	Fine ounces.	Commercial value.	Coining value.
1860	6,486,262	$134,083,000	29,095,428	$39,337,000	$37,618,000
1861	5,949,582	122,989,000	35,401,972	46,191,000	45,772,000
1862	5,949,582	122,989,000	35,401,972	47,651,000	45,772,000
1863	5,949,582	122,989,000	35,401,972	47,616,000	45,772,000
1864	5,949,582	122,989,000	35,401,972	47,616,000	45,772,000
1865	5,949,582	122,989,000	35,401,972	47,368,000	45,772,000
1866	6,270,086	129,614,000	43,051,583	57,646,000	55,663,000
1867	6,270,086	129,614,000	43,051,583	57,173,000	55,663,000
1868	6,270,086	129,614,000	43,051,583	57,086,000	55,663,000
1869	6,270,086	129,614,000	43,051,583	57,043,000	55,663,000
1870	6,270,086	129,614,000	43,051,583	57,173,000	55,663,000
1871	5,591,014	115,577,000	63,317,014	83,958,000	81,864,000
1872	5,591,014	115,577,000	63,317,014	83,705,000	81,864,000
Total	78,766,630	1,628,252,000	547,997,231	729,563,000	708,521,000
1873	4,653,675	96,200,000	63,267,187	82,120,800	81,800,000
1874	4,390,031	90,750,000	55,300,781	70,674,400	71,500,000
1875	4,716,563	97,500,000	62,261,719	77,578,100	80,500,000
1876	5,016,488	103,700,000	67,753,125	78,322,600	87,600,000
1877	5,512,196	113,947,200	62,679,916	75,278,600	81,040,700
1878	5,761,114	119,092,800	73,385,451	84,540,000	94,882,200
1879	5,262,174	108,778,800	74,383,495	83,532,700	96,172,600
1880	5,148,880	106,436,800	74,795,273	85,640,600	96,705,000
1881	4,983,742	103,023,100	79,020,872	89,925,700	102,168,400
1882	4,934,086	101,996,600	86,472,091	98,232,300	111,802,300
1883	4,614,588	95,392,000	89,175,023	98,984,300	115,297,000
1884	4,921,169	101,729,600	81,567,801	90,785,000	105,461,400
1885	5,245,572	108,435,600	91,609,959	97,518,800	118,445,200
1886	5,135,679	106,163,900	93,297,290	92,793,500	120,626,800
1887	5,116,861	105,774,900	96,123,586	94,031,000	124,281,000
1888	5,330,775	110,196,900	108,827,606	102,185,900	140,706,400
1889	5,973,790	123,489,200	120,213,611	112,414,100	155,427,700
1890	5,749,306	118,848,700	126,095,062	131,937,000	163,032,000
1891	6,320,194	130,650,000	137,170,919	135,500,200	177,352,300
1892	7,094,266	146,651,500	153,151,762	133,404,400	198,014,400
1893	7,618,811	157,494,800	165,472,621	129,119,900	213,944,400
1894	8,764,362	181,175,600	164,610,394	104,493,000	212,829,600
1895	9,615,190	198,763,600	167,500,960	109,545,600	216,566,900
1896	9,783,914	202,251,600	157,061,370	105,859,300	203,069,200
1897	11,420,068	236,073,700	160,421,082	96,252,700	207,413,000
1898	13,877,806	286,879,700	169,055,253	99,742,600	218,576,800
1899	14,837,775	306,724,100	168,337,453	101,002,600	217,648,200
1900	12,315,135	254,576,300	173,591,364	107,626,400	224,441,200
1901	12,698,089	262,492,900	173,011,283	103,805,700	223,691,300
1902	14,313,660	295,889,600	166,955,639	88,486,500	215,861,800
Total	221,125,959	4,571,079,500	3,462,569,948	2,961,334,300	4,476,857,800
Grand total	299,892,589	6,199,331,500	4,010,567,179	3,690,897,300	5,185,378,800

WORLD'S COINAGE, 1900, 1901, AND 1902.

In the appendix will be found a table, revised from the latest information received, exhibiting the coinages of the various countries of the world during the calendar years 1900, 1901, and 1902. The following is a summary of the same:

COINAGE OF NATIONS.

Calendar years.	Gold.	Silver.
1900	$354,936,497	$185,358,156
1901	248,093,787	138,911,891
1902	220,405,125	193,715,362

The above figures represent, as nearly as this Bureau has been able to ascertain, the total value of the gold and silver coinages executed in the world during the years given.

It must be borne in mind, however, that the total of these coinages does not correctly represent the amount of new gold and new silver made into coins during the year, for the reason that the coinages as reported include the value of domestic and foreign coins melted for recoinage, as well as old material, plate, etc., used in coinage.

In the circular letter of inquiry prepared at this Bureau and sent to foreign governments through the Department of State, asking for information on these subjects, it was especially requested that each country report the amount of such recoinages. This has been done in many instances, but not in all.

COINAGE OF GOLD AND SILVER OF THE MINTS OF THE WORLD FOR THE CALENDAR YEARS SINCE 1873.

Calendar years.	Gold.		Silver.	
	Fine ounces.	Value.	Fine ounces.	Coining value.
1873	12,462,890	$257,630,802	101,741,421	$131,544,464
1874	6,568,279	135,778,387	79,610,875	102,931,232
1875	9,480,892	195,987,428	92,747,118	119,915,467
1876	10,309,645	213,119,278	97,899,525	126,577,164
1877	9,753,196	201,616,466	88,449,796	114,359,332
1878	9,113,202	188,386,611	124,671,870	161,191,913
1879	4,390,167	90,752,811	81,124,555	104,888,313
1880	7,242,951	149,725,081	65,442,074	84,611,974
1881	7,111,864	147,015,275	83,539,051	108,010,086
1882	4,822,851	99,697,170	85,685,996	110,785,934
1883	5,071,882	104,845,114	84,541,904	109,306,705
1884	4,810,061	99,432,795	74,120,127	95,832,084
1885	4,632,273	95,757,582	98,044,475	126,764,574
1886	4,578,310	94,642,070	96,566,844	124,854,101
1887	6,046,510	124,992,465	126,388,502	163,411,397
1888	6,522,346	134,828,855	104,354,000	134,922,344
1889	8,170,611	168,901,519	107,788,256	139,362,595
1890	7,219,725	149,244,965	117,789,228	152,293,144
1891	5,782,463	119,534,122	106,962,049	138,294,367
1892	8,343,387	172,473,124	120,282,947	155,517,347
1893	11,243,342	232,420,517	106,697,783	137,952,690
1894	11,025,680	227,921,032	87,472,523	113,095,788
1895	11,178,855	231,087,438	98,128,832	126,873,642
1896	9,476,639	195,899,517	123,394,239	159,540,027
1897	21,174,850	437,722,992	129,775,082	167,790,006
1898	19,131,244	395,477,905	115,461,020	149,282,936
1899	22,548,101	466,110,614	128,566,167	166,226,964
1900	17,170,053	354,936,497	143,362,948	185,358,156
1901	12,001,537	248,093,787	107,439,666	138,911,891
1902	10,662,098	220,405,125	149,826,725	193,715,362
Total	288,045,904	5,954,437,344	3,127,875,598	4,044,121,999

FOREIGN COINS MELTED BY CERTAIN COUNTRIES.

The foreign gold and silver coins melted by the various countries of the world during the calendar years 1900, 1901, and 1902, so far as have been reported to this Bureau, are exhibited in the following table:

FOREIGN GOLD AND SILVER COINS MELTED BY CERTAIN COUNTRIES, CALENDAR YEARS 1900, 1901, AND 1902.

Countries.	1900.		1901.		1902.	
	Gold.	Silver.	Gold.	Silver.	Gold.	Silver.
United States	$31,502,833	$5,419,849	$18,508,984	$105,453	$8,960,253	$42,420
Austria-Hungary	632,012	10,282	488,518	24,173	662,165	24,503
Denmark	402,090					
Great Britain				9,636		202,960
Germany	13,195,427		3,987,386		12,776,492	
Japan	36,931	169,028	902,800		1,674,722	
Netherlands	739,133					
Persia					13,942	
Russia	839					
Siam						2,551,929
Turkey	168,371		(a)	(a)	657,338	
Total	46,677,546	5,599,109	23,887,688	139,262	24,744,912	2,821,812

a No returns.

RECOINAGES OF THE WORLD.

The following table, compiled from official sources, exhibits approximately the recoinages of gold and silver in the principal countries of the world for the calendar years 1900, 1901, and 1902, so far as the same has been reported to this Bureau:

GOLD AND SILVER RECOINAGES REPORTED BY THE PRINCIPAL COUNTRIES OF THE WORLD DURING THE CALENDAR YEARS 1900, 1901, AND 1902.

Countries.	1900.		1901.		1902.	
	Gold.	Silver.	Gold.	Silver.	Gold.	Silver.
United States	$1,332,258	$3,884,537	$1,567,286	$3,047,769	$1,137,228	$2,961,105
Australia			4,047		4,326	
Austria-Hungary	467,485	5,867,666	483,868	37,241	528,822	21,779
Belgium				579,000		
Denmark	670					
Egypt		605,544		160,499		
France	5,397,428	1,025,120	8,389,567	2,245,807	51,712	2,294,594
Germany	1,375,431	5,645,281	1,542,966	7,148,713	1,529,349	10,497,126
Great Britain	8,759,700	1,688,155	8,759,700	1,182,924	10,219,650	1,992,917
India (British)		14,583,815		4,868,106		35,841,519
Italy				500,350		1,000,161
Japan	57,396	785	85,463	71,601	123,963	18,092
Mexico						8,658
Netherlands		1,241,430		1,525,858		220,100
Norway		30,284		57,759		42,076
Persia						15,649
Peru		109,575	1,947	74,240		135,087
Russia	38,642,449		25,749,439	2,625,520	25,730,912	3,833,902
Siam				852		2,551,929
Spain		3,804,852	(a)	(a)		501,606
Sweden	19	2,205				35,586
Switzerland		147,645				
Turkey	47,041	7,852	(a)	(a)		686,300
Total	56,079,887	38,594,746	46,584,283	24,126,239	39,325,962	62,658,186

a No returns.

IMPORTS AND EXPORTS OF THE PRINCIPAL COUNTRIES OF THE WORLD.

The imports and exports of the precious metals of the principal countries of the world during the calendar year 1902 are exhibited in the following table. The information relating to foreign countries was received principally through representatives of the United States in them.

IMPORTS AND EXPORTS OF THE PRECIOUS METALS IN THE PRINCIPAL COUNTRIES OF THE WORLD, 1902.

GOLD.

Country.	Imports.	Exports.	Excess of imports over exports.	Excess of exports over imports.
United States	$44,193,317	$36,030,591	$8,162,726	
Africa [a]	6,460,483	39,130,204		$32,669,721
Argentina	8,856,958	3,057,440	5,799,518	
Austria-Hungary	37,237,476	14,630,556	22,606,920	
Brazil	3,296,118	2,508,056	788,062	
Denmark		402,000		402,000
Ecuador	1,250,000	200,000	1,050,000	
Egypt	23,626,972	9,037,841	14,589,131	
France	85,060,311	24,518,913	60,541,398	
Great Britain	108,450,279	74,988,327	33,461,952	
Germany	33,077,957	25,233,161	7,844,796	
Guiana (British)		2,086,891		2,086,891
Guiana (Dutch)	143,615	442,109		298,494
India (British) [b]	42,800,439	14,365,265	28,435,174	
Italy	5,605,318	1,502,795	4,102,523	
Japan	15,043,541	225,930	14,817,611	
Korea		2,524,150		2,524,150
Mexico [c]		9,031,205		9,031,205
Netherlands	3,118,344	1,739,961	1,378,383	
Norway	15,200		15,200	
Peru	49,573	291,934		242,361
Portugal	9,180	751,356		742,176
Siam	125	30	95	
Straits Settlements	2,646,657	1,337,859	1,308,798	
Sweden	179		179	
Switzerland	10,018,040	5,577,152	4,440,888	
Spain	359,468	47,214	312,254	

SILVER.

United States	$26,402,935	$49,272,954		$22,870,019
Africa [a]	2,870,471	415,502	$2,454,969	
Argentina	52,128	16,901	35,227	
Austria-Hungary	3,245,501	4,738,121		1,492,620
Brazil	324	6,832		6,508
Ecuador	101,000		101,000	
Egypt	296,837	44,022	252,815	
France	18,667,732	23,085,502		4,417,770
Great Britain	52,757,722	52,149,988	607,734	
Germany	5,389,510	6,830,176		1,440,666
Guiana (Dutch)	2,106	212,218		210,112
India (British) [b]	39,340,621	16,967,325	22,373,296	
Italy	1,241,731	778,568	463,163	
Japan	985,680	785,223	200,457	
Mexico [c]		69,826,948		69,826,948
Netherlands	2,628,573	101,976	2,526,597	
Norway	207,776		207,776	
Persia	3,620,000		3,620,000	
Peru	408	2,411,968		2,411,560
Portugal	423,468	406,188	17,280	
Siam	9,621,871	755,508	8,866,363	
Straits Settlements	31,734,342	23,554,679	8,179,663	
Sweden	74,826		74,826	
Switzerland	13,323,559	2,754,094	10,569,465	
Spain	2,026,383	2,828,549		802,166

[a] Annual statement of the trade of the United Kingdom with foreign countries and with British possessions.
[b] Fiscal year ended Mar. 31.
[c] Imports of gold and silver not separated, $3,457,994.

VALUE OF FOREIGN COINS.

The law requires (section 25, act of August 28, 1894)—

That the value of the foreign coins as expressed in the money of account of the United States shall be that of the pure metal of such coin of standard value; and the values of the standard coins in circulation of the various nations of the world shall be estimated quarterly by the Director of the Mint, and be proclaimed by the Secretary of the Treasury immediately after the passage of this act and thereafter quarterly on the 1st day of January, April, July, and October in each year.

In accordance with the foregoing requirements the values of foreign coins have been estimated and proclaimed as follows:

VALUES OF FOREIGN COINS, OCTOBER 1, 1903.

[The coins of silver-standard countries are valued by their pure silver contents, at the average market price of silver for the three months preceding the date of this circular.]

Country.	Standard.	Monetary unit.	Value in terms of United States gold dollar.	Coins.
Argentine Republic	Gold	Peso	$0.965	Gold: Argentine ($4.824) and ½ argentine. Silver: Peso and divisions.
Austria-Hungary	Gold	Crown	.203	Gold: Former system—4 florins ($1.929), 8 florins ($3.858), ducat ($2.287), and 4 ducats ($9.149). Silver: 1 and 2 florins. Gold: Present system—20 crowns ($4.052), 10 crowns ($2.026).
Belgium	Gold	Franc	.193	Gold: 10 and 20 francs. Silver: 5 francs.
Bolivia	Silver	Boliviano	.408	Silver: Boliviano and divisions.
Brazil	Gold	Milreis	.546	Gold: 5, 10, and 20 milreis. Silver: ½, 1, and 2 milreis.
British Possessions, N. A. (except Newfoundland).	Gold	Dollar	1.000	
Central American States:				
Costa Rica	Gold	Colon	.465	Gold: 2, 5, 10, and 20 colons ($9.307). Silver: 5, 10, 25, and 50 centimos.
British Honduras	Gold	Dollar	1.000	
Guatemala, Honduras, Nicaragua, Salvador	Silver	Peso	.408	Silver: Peso and divisions.
Chile	Gold	Peso	.365	Gold: Escudo ($1.825), doubloon ($3.650), and condor ($7.300). Silver: Peso and divisions.
China	Silver	Tael: Amoy	.659	
		Tael: Canton	.657	
		Tael: Chefoo	.630	
		Tael: Chin Kiang	.644	
		Tael: Fuchau	.610	
		Tael: Haikwan (Customs)	.671	
		Tael: Hankow	.617	
		Tael: Hongkong	(a)	
		Tael: Nanking	.652	
		Tael: Niuchwang	.618	
		Tael: Ningpo	.634	
		Tael: Peking	.643	
		Tael: Shanghai	.602	
		Tael: Swatow	.609	
		Tael: Takau	.663	
		Tael: Tientsin	.639	
Colombia	Silver	Peso	.408	Gold: Condor ($9.647) and double condor. Silver: Peso.
Cuba	Gold	Peso	.926	Gold: Doubloon Isabella, centen ($5.017). Alphonse ($4.823). Silver: Peso.
Denmark	Gold	Crown	.268	Gold: 10 and 20 crowns.
Ecuador	Gold	Sucre	.487	Gold: 10 sucres ($4.8665). Silver: Sucre and divisions.
Egypt	Gold	Pound (100 piasters).	4.943	Gold: Pound (100 piasters), 5, 10, 20, and 50 piasters. Silver: 1, 2, 5, 10, and 20 piasters.

a The "British dollar" has the same legal value as the Mexican dollar in Hongkong, the Straits Settlements, and Labuan.

VALUES OF FOREIGN COINS, OCTOBER 1, 1903—Continued.

Country.	Standard.	Monetary unit.	Value in terms of United States gold dollar.	Coins.
Finland	Gold	Mark	$0.193	Gold: 20 marks ($3.859), 10 marks ($1.93).
France	Gold	Franc	.193	Gold: 5, 10, 20, 50, and 100 francs. Silver: 5 francs.
German Empire	Gold	Mark	.238	Gold: 5, 10, and 20 marks.
Great Britain	Gold	Pound sterling	4.866½	Gold: Sovereign (pound sterling) and ½ sovereign.
Greece	Gold	Drachma	.193	Gold: 5, 10, 20, 50, and 100 drachmas. Silver: 5 drachmas.
Haiti	Gold	Gourde	.965	Gold: 1, 2, 5, and 10 gourdes. Silver: Gourde and divisions.
India	Gold	Pound sterling [a]	4.866½	Gold: Sovereign (pound sterling). Silver: Rupee and divisions.
Italy	Gold	Lira	.193	Gold: 5, 10, 20, 50, and 100 lire. Silver: 5 lire.
Japan	Gold	Yen	.498	Gold: 5, 10, and 20 yen. Silver: 10, 20, and 50 sen.
Liberia	Gold	Dollar	1.000	
Mexico	Silver	Dollar	.443	Gold: Dollar ($0.983), 2½, 5, 10, and 20 dollars. Silver: Dollar (or peso) and divisions.
Netherlands	Gold	Florin	.402	Gold: 10 florins. Silver: ½, 1, and 2½ florins.
Newfoundland	Gold	Dollar	1.014	Gold: 2 dollars ($2.027).
Norway	Gold	Crown	.268	Gold: 10 and 20 crowns.
Persia	Silver	Kran	.075	Gold: ½, 1, and 2 tomans ($3.409). Silver: ¼, ½, 1, 2, and 5 krans.
Peru	Gold	Sol	.487	Gold: Libra ($4.8665). Silver: Sol and divisions.
Portugal	Gold	Milreis	1.080	Gold: 1, 2, 5, and 10 milreis.
Russia	Gold	Ruble	.515	Gold: Imperial, 15 rubles ($7.718), and ½ imperial, 7½ rubles ($3.859). Silver: ¼, ½, and 1 ruble.
Spain	Gold	Peseta	.193	Gold: 25 pesetas. Silver: 5 pesetas.
Sweden	Gold	Crown	.268	Gold: 10 and 20 crowns.
Switzerland	Gold	Franc	.193	Gold: 5, 10, 20, 50, and 100 francs. Silver: 5 francs.
Turkey	Gold	Piaster	.044	Gold: 25, 50, 100, 250, and 500 piasters.
Uruguay	Gold	Peso	1.034	Gold: Peso. Silver: Peso and divisions.
Venezuela	Gold	Bolivar	.193	Gold: 5, 10, 20, 50, and 100 bolivars. Silver: 5 bolivars.

[a] The sovereign is the standard coin of India, but the rupee ($0.3244⅓) is the money of account, current at 15 to the sovereign.

CHANGES IN THE VALUES OF FOREIGN COINS DURING 1903.

Country.	Monetary unit.	Value, 1903.			
		Jan. 1.	Apr. 1.	July 1.	Oct. 1.
Bolivia	Silver boliviano	$0.361	$0.352	$0.384	$0.408
Central American States	Silver peso	.361	.352	.384	.408
China	Silver tael, Amoy	.584	.576	.622	.659
Do	Silver tael, Canton	.582	.568	.620	.657
Do	Silver tael, Chefoo	.558	.545	.595	.630
Do	Silver tael, Chin Kiang	.570	.557	.607	.644
Do	Silver tael, Fuchau	.540	.527	.575	.610
Do	Silver tael, Haikwan (customs)	.594	.580	.633	.671
Do	Silver tael, Hankow	.546	.533	.582	.617
Do	Silver tael, Hongkong, as in the Straits Settlements and Labuan, the "British dollar" has the same legal value as the Mexican dollar.				
Do	Silver tael, Nankin				.652
Do	Silver tael, Niuchwang	.548	.534	.583	.618
Do	Silver tael, Ningpo	.561	.548	.598	.634
Do	Silver tael, Pekin				.643
Do	Silver tael, Shanghai	.533	.520	.568	.602
Do	Silver tael, Swatow	.539	.526	.575	.609
Do	Silver tael, Takau	.588	.573	.626	.663
Do	Silver tael, Tientsin	.566	.552	.603	.639
Colombia	Silver peso	.361	.352	.384	.408
Mexico	Silver dollar	.392	.383	.418	.443
Persia	Silver kran	.066	.065	.071	.075

LABORATORY OF THE BUREAU OF THE MINT.

During the calendar year 1902 there were tested in the laboratory of this Bureau 263 gold and 1,018 silver coins, all of which were found within the legal requirements as to weight and fineness.

In the gold coins the greatest deviation above standard (the legal limit being 0.001 above or below) was 0.0003, while the greatest deviation below was 0.0003.

The greatest deviation of silver coins above standard (the limit being 0.003 above or below) was 0.002, while the greatest deviation below was 0.0014.

The following table shows the number of pieces assayed at this Bureau each month and their average fineness, also the total number assayed from each mint, with the average fineness, for the calendar year 1902:

NUMBER AND AVERAGE FINENESS OF GOLD AND SILVER COINS OF THE UNITED STATES TESTED AT THE BUREAU OF THE MINT DURING THE YEAR 1902.

Month.	Philadelphia.				San Francisco.				New Orleans.	
	Number of pieces.		Average fineness.		Number of pieces.		Average fineness.		Silver.	
	Gold.	Silver.	Gold.	Silver.	Gold.	Silver.	Gold.	Silver.	Number of pieces.	Average fineness.
January	.....	44	.....	899.83	26	16	899.91	899.29	28	899.84
February	2	48	899.95	900.03	24	10	899.94	899.92	36	900.18
March	.....	48	.....	899.68	.....	.....	.....	.....	26	899.71
April	.....	58	.....	899.55	18	18	899.92	899.54	34	899.73
May	.....	10	.....	899.58	20	14	899.93	899.44	38	899.68
June	.....	38	.....	899.59	5	30	900.00	899.21	46	899.56
July	.....	32	.....	899.45	12	24	899.93	899.59	16	899.73
August	.....	28	.....	899.89	32	.....	899.96	.....	32	900.06
September	6	24	899.97	899.99	16	16	899.86	899.68	26	899.89
October	10	50	900.02	899.83	18	18	899.93	900.04	34	899.86
November	.....	44	.....	899.96	16	12	900.00	900.45	32	899.70
December	20	50	899.97	899.66	38	4	899.98	899.63	34	899.27
Average	.....	.....	899.98	899.75	.....	.....	899.95	899.68	.....	899.77
Total	38	474	.....	.....	225	162	.....	.....	382	.....

PROCEEDINGS OF THE ASSAY COMMISSION OF 1903.

The following-named gentlemen were designated by the President as commissioners to test and examine the weight and fineness of the coins reserved at the several mints during the calendar year 1902, pursuant to the provisions of section 3547 of the Revised Statutes:

Hon. J. C. Burrows, United States Senate; Hon. J. H. Southard, House of Representatives; Prof. S. W. Stratton, Bureau of Standards; Prof. W. B. Rising, University of California; Prof. H. P. Judson, University of Chicago; Prof. A. G. Webster, Clark University, Worcester, Mass.; Mr. S. M. Apperson, Little Rock, Ark.; Hon. David Williams, Webster, S. Dak.; Dr. Clarence Morfit, New York, N. Y.; Hon. H. C. Burchard, Freeport, Ill.; Hon. S. T. Meservey, Fort Dodge, Iowa; Mr. E. W. Harden, New York, N. Y.; Prof. Edgar F. Smith, University of Pennsylvania; Mr. Edward T. Stotesbury, Philadelphia, Pa.; Hon. Charles S. Hamlin, Boston, Mass.; Dr. George W. Griffiths, Louisville, Ky.; Mr. Clifford Richardson, New York, N. Y.

The following *ex-officio* members were also present: W. B. Ridgely, Comptroller of the Currency, and H. G. Torrey, assayer of the New York assay office.

The commission met at the Mint Wednesday, the 11th day of February, and a quorum being present, organized, by the election of Hon. W. B. Ridgely as chairman. Miss M. V. Kelly acted as secretary.

The following-named commissioners answered to the roll call: Messrs. Stratton, Rising, Judson, Webster, Apperson, Williams, Morfit, Burchard, Meservey, Harden, Smith, Stotesbury, Hamlin, Richardson, Ridgely, and Torrey.

The following committees were appointed by Mr. Ridgely:

On counting—Mr. Burchard, chairman; Messrs. Williams, Meservey, and Apperson.

On weighing—Mr. Stratton, chairman; Messrs. Judson, Ridgely, Hamlin, Harden, and Webster.

On assaying—Professor Smith, chairman; Messrs. Rising, Morfit, Torrey, Richardson, and Stotesbury.

REPORT OF THE COMMITTEE ON COUNTING.

The committee reported that the packages containing the pieces reserved by the several mints for the trial of coins, in accordance with section 2539, Revised Statutes, were delivered to them by the superintendent of the mint at Philadelphia.

The quantities of coin reserved at the mints for the purposes of the committee were as follows:

Gold coins from the mint at Philadelphia, 518 in number, of the value of $2,933.50.

Silver coins from the mint at Philadelphia, 23,267 in number, of the value of $7,830.50.

Gold coins from the mint at San Francisco, 3,163 in number, of the value of $44,475.

Silver coins from the mint at San Francisco, 3,295 in number, of the value of $1,425.25.

Silver coins from the mint at New Orleans, 10,205 in number, of the value of $5,768.

A total of 40,448 pieces, of the value of $62,432.25.

The verification of the packages containing the reserved coins being completed, the committees on weighing and assaying selected such coins as were required. In the report of those committees will be found an account of the disposition of these coins.

REPORT OF THE COMMITTEE ON ASSAYING.

PHILADELPHIA, PA., *February 13, 1903.*

To the Board of Assay Commissioners.

GENTLEMEN: In compliance with section 3547 of the Revised Statutes we have taken samples of the coins reserved from time to time at the United States mints at Philadelphia, San Francisco, and New Orleans for assay. These samples represent the various deliveries made by the coiners to the superintendents of the several mints during the calendar year 1902.

The result of the assays made of the individual coins and of the same in mass are given in the following schedules. From these it will be seen that the greatest excess in the assay value of the gold coinage above standard at the different mints (the limit of tolerance being one-thousandth) is at—

Philadelphia	900.1
San Francisco	900.2

The greatest deficiency below standard (the limit of tolerance being one-thousandth), is at—

Philadelphia	899.6
San Francisco	899.4

The greatest excess in silver coins above standard (the limit of tolerance being three-thousandths) is at—

Philadelphia	900.9
San Francisco	900.4
New Orleans	900

The greatest deficiency below standard (the limit of tolerance being three-thousandths) is at—

Philadelphia	898.9
San Francisco	898.4
New Orleans	898.6

The committee also tested the quartation silver and found it free from gold, and the lead used in the assay of gold bullion and found it free from gold and silver. The acid used in the humid assay of silver was found to be free from silver and also from chlorine.

The balances used were tested and found to be correct.

The committee therefore deem the assays to be entirely trustworthy.

REPORT OF THE COMMITTEE ON WEIGHING.

FEBRUARY 12, 1903.

To the Board of Assay Commissioners:

GENTLEMEN: The committee on weighing respectfully report that they have examined sample coins, selected at random from those reserved by the various mints, and the number of coins weighed in mass were as follows:

Mint at Philadelphia.

84 gold coins. 118 silver coins.

Mint at San Francisco.

44 gold coins. 150 silver coins.

Mint at New Orleans.

160 silver coins.

The weighing of the single pieces was made with a balance by Troemner, of Philadelphia, and the weights employed were furnished under seal by the Director of the National Bureau of Standards, and were certified by him as being of the true standard of weight as fixed by law, and as being correctly related to the troy pound of 1827.

The mass weighings were made upon the large Saxton balance of the Mint. Both balances were carefully tested.

The committee examined the weights ordinarily employed in the Mint, and found them to be in accordance with the usual interpretation of the standard prescribed by law. The details of the weighing indicate but slight deviation from the statutory standard weights, and the coins examined were all within the legal tolerance. The committee on weighing pronounces the examination of the weights of the coinage of the several mints during the year 1902 to be satisfactory.

On motion of Mr. Smith it was resolved that the assay commission appointed to examine and test the reserved coins of the several mints of the United States for 1902, after having examined and tested the fineness and weight of these coins and having found all of the tests within the limits required by law, do hereby report the tests satisfactory.

On motion of Mr. Ridgely the committee adjourned sine die.

MINT OF THE UNITED STATES AT PHILADELPHIA.

JOHN H. LANDIS, *Superintendent.*

The following table shows by weight and value the gold and silver deposited at the mint at Philadelphia during the fiscal year ended June 30, 1903:

Metal.	Standard ounces.	Coinage value.
Gold	1,199,836.216	$22,322,534.28
Silver	6,661,822.69	7,751,939.13
Total	7,861,658.906	30,074,473.41

During the year transfers of silver bullion aggregating 7,063,652.95 standard ounces, of the cost value of $5,752,038.89, purchased under the act of July 14, 1890, were made to the mint at New Orleans.

There were transferred to the mint at San Francisco 2,990,112.33 standard ounces of silver bars manufactured by private refineries, through sundry parties, in exchange for a like quantity delivered at the mint at San Francisco.

There were transferred from the Treasury for recoinage during the year 41,825 pieces of worn and uncurrent domestic gold coin, having a face value of $334,111, containing 17,811.900 standard ounces, of the value of $331,384.18, and showing a loss of $2,726.82; also, 11,037,310 pieces of uncurrent domestic subsidiary silver coin, of the face value of $2,252,856.27, containing 1,704,803.25 standard ounces, having a coinage value in subsidiary coin of $2,121,061.58, showing a loss of $131,794.69.

There were also received over the counter 4,745 pieces of uncurrent domestic gold coin, of the face value of $31,451, containing 1,670.634 standard ounces, of the value of $31,081.56, and showing a loss of $369.44; also 8,312 pieces of uncurrent domestic silver coin, of the face value of $3,212.40, containing 2,619.12 standard ounces, having a coinage value in subsidiary coin of $3,258.63.

DENOMINATIONS AND AMOUNTS OF UNCURRENT DOMESTIC GOLD AND SILVER COINS TRANSFERRED FROM THE TREASURY AND RECEIVED OVER THE COUNTER AT THE MINT AT PHILADELPHIA.

GOLD COINS.

Denominations.	Transferred from the Treasury (nominal value).	Received over the counter (nominal value).
Double eagles	$108,040.00	$12,020.00
Eagles	94,710.00	4,940.00
Half eagles	128,025.00	11,280.00
Quarter eagles	3,315.00	2,995.00
Three-dollar pieces		30.00
One-dollar pieces	21.00	186.00
Total	334,111.00	31,451.00

SILVER COINS.

Trade dollars		$245.00
Dollars		1,369.00
Half dollars	$911,097.50	806.00
Quarter dollars	703,020.25	521.00
20-cent pieces	211.20	
Dimes	637,024.50	245.00
Half dimes	1,377.05	24.60
3-cent pieces	125.77	1.80
Total	2,252,856.27	3,212.40

There were deposited unrefined foreign gold bullion, containing 7,221.944 standard ounces, of the value of $134,361.75, and unrefined foreign silver bullion, containing 2,466.72 standard ounces, of the coinage value of $2,870.37, from various countries, as shown by the following table:

DEPOSITS OF UNREFINED FOREIGN GOLD AND SILVER BULLION, FISCAL YEAR 1903.

Countries.	Gold.		Silver.	
	Standard ounces.	Value.	Standard ounces.	Coinage value.
Canada:				
British Columbia	210.239	$3,911.42	69.76	$81.18
Northwest Territory	324.806	6,042.90	86.12	100.21
Ontario and Quebec	361.336	6,722.53	94.63	110.11
Nova Scotia	2,238.857	41,653.15	113.21	131.74
Mexico	3,696.797	68,777.62	2,039.30	2,373.00
Costa Rica	11.045	205.49	6.43	7.48
Nicaragua	16.021	298.07	4.71	5.48
Colombia	341.582	6,355.01	50.45	58.71
South America	8.587	159.76	1.50	1.75
China	12.674	235.80	.61	.71
Total	7,221.944	134,361.75	2,466.72	2,870.37

There were no deposits of refined foreign bullion.

Foreign gold and silver coins of various countries were received, containing in gold 76.373 standard ounces of the value of $1,420.90 and in silver 85 standard ounces of the coinage value of $98.91, as shown by the following table:

Countries.	Gold.	Silver.
	Standard ozs.	*Standard ozs.*
Mexico		85.00
Great Britain	0.781	
Germany	.256	
Spain	2.649	
Mixed	72.687	
Total	76.373	85.00

Deposits of unrefined gold and silver, the product of the various States and Territories of the United States, aggregated 14,998.422 standard ounces of gold of the value of $279,040.42 and 6,445.12 standard ounces of silver of the coinage value of $7,499.77, as shown by the following table:

GOLD AND SILVER OF DOMESTIC PRODUCTION DEPOSITED DURING THE FISCAL YEAR 1903.

Localities.	Gold.		Silver.	
	Standard ounces.	Value.	Standard ounces.	Value.
Alabama	5.258	$97.82	0.94	$1.09
Alaska	838.214	15,594.68	93.15	108.39
Arizona	336.286	6,256.48	215.37	250.61
California	155.568	2,894.29	36.92	42.96
Colorado	760.003	14,139.59	248.45	289.10
Georgia	799.644	14,877.10	93.91	109.28
Idaho	1,039.716	19,343.55	546.00	635.35
Indiana	5.665	105.40	.48	.56
Kansas	4.865	90.51	.66	.77
Maryland	160.630	2,988.47	3.11	3.62
Montana	9,249.372	172,081.34	1,303.49	1,516.79
Nevada	35.064	652.35	3.82	4.44
New Mexico	134.291	2,498.44	57.48	66.89
North Carolina	164.781	3,065.69	43.57	50.70
Oregon	164.648	3,063.22	17.75	20.65
Philippine Islands	3.451	64.20	.05	.06
South Dakota	420.994	7,832.45	131.11	152.56
Virginia	154.581	2,875.93	14.47	16.84
Washington	7.685	142.98	2.99	3.48
Wyoming	59.284	1,102.96	13.31	15.49
Other States	498.422	9,272.97	73.96	86.06
Total	14,998.422	279,040.42	2,900.99	3,375.69

The redeposits during the fiscal year 1903 aggregated 1,109,276.740 standard ounces of gold of the value of $20,637,706.81 and 306,304.44 standard ounces of silver of the coinage value of $472,790.62, as shown by the following tables:

REDEPOSITS OF GOLD BULLION.

Institution at which manufactured.	Unparted bars.	Fine bars.
	Standard ozs.	*Standard ozs.*
Philadelphia	10.554	269.936
Denver	818,391.347	6,407.824
Denver (counter purchase)	34.091	
Boise	79,892.891	
Helena	129,167.739	
Charlotte	13,227.722	
St. Louis	6,185.975	285.201
Deadwood	51,020.700	
Seattle	13,382.760	
Total	1,102,313.779	6,962.961

REDEPOSITS OF SILVER BULLION.

Institution at which manufactured.	Unparted bars.	Fine bars.	Mint bars.
	Standard ozs.	*Standard ozs.*	*Standard ozs.*
Philadelphia	4.79	856.59	
New York		58,583.98	154,902.81
Denver	110,249.24		
Denver (counter purchase)	8.35		
Boise	25,392.70		
Helena	29,458.11		
Charlotte	1,621.17		
St. Louis	1,287.97		
Deadwood	21,001.61		
Seattle	2,937.12		
Total	191,961.06	59,440.57	154,902.81

Fine gold bars for use in the industrial arts, of the value of $3,874,044.56, weighing 187,406.906 fine ounces, were exchanged for gold coin during the fiscal year.

MINOR COINS.

Minor coins of the face value of $195,613.25 were received on transfer orders and melted for recoinage during the fiscal year.

Bronze and nickel blanks for minor coinage were purchased as follows:

Character.	Pounds avoirdupois.	Cost.
Bronze 1-cent blanks	600,000	$168,720
Nickel 5-cent blanks	330,000	177,804
Total	930,000	346,524

The amount of uncurrent copper, nickel, and bronze coins transferred from the Treasury during the year for conversion into current coins, cost, and seigniorage are shown by the following table:

MINOR COINS FOR RECOINAGE FISCAL YEAR 1903.

Uncurrent coin transferred from United States Treasury:		
Old copper cents		$93.08
Nickel 1-cent coins		1,223.75
Bronze 1-cent coins		28,123.17
Bronze 2-cent coins		272.00
Nickel 3-cent coins		1,121.25
Nickel 5-cent coins		164,780.00
Total		195,613.25
Cost of pure nickel added to nickel 1-cent metal to convert into nickel 5-cent alloy for recoinage into nickel 5-cent coin		79.88
Cost of tin and zinc added to old copper-cent metal to convert into bronze 1-cent alloy for recoinage into bronze 1-cent coin		4.20
Cost of metal of same alloy added to nickel 3-cent metal for recoinage into nickel 5-cent coin		32.13
Seigniorage (gain by recoinage)		5,348.38
Total		201,077.84
Coinage executed, nominal value:		
Bronze 1-cent coin	$27,354.93	
Nickel 5-cent coin	162,486.25	
		189,841.18
Wastage (loss by recoinage)		11,236.66
Total		201,077.84

The total minor coinage for the year in nickel 5-cent coins was $1,589,336.25, and in 1-cent bronze coins $895,354.93. Of these amounts $162,486.25 in nickel coins and $27,354.93 in bronze coins were recoinage of United States coins.

The seigniorage or gain on recoinage was $5,348.38 as against a wastage or loss of $11,236.66, showing a net wastage of $5,888.28.

The seigniorage on the coinage of nickel and bronze coins coined from purchased metal was $1,955,567.21, which, less a net wastage on the recoinage of minor coin, gives a total seigniorage on minor coin of $1,949,678.93.

The total amount of the several types of minor coin manufactured from 1793, when the first coinage of copper cents was made, until June 30, 1903, aggregated $40,416,024.19. From the records of this mint, to which the coinage has been assigned by law, it appears that there have been melted for recoinage $3,847,829.40, leaving outstanding June 30, 1903, $36,568,194.79.

The several types and denominations of minor coins issued, manufactured by the mint at Philadelphia since its establishment, the amount remelted, and the amount outstanding June 30, 1903, are set forth in the following table:

MINOR COINS ISSUED, REMELTED, AND OUTSTANDING.

Denominations.	Coined.	Remelted.	Outstanding June 30, 1903.
Copper cents	$1,562,887.44	$379,633.59	$1,183,253.85
Copper half cents	39,926.11		39,926.11
Copper nickel cents	2,007,720.00	798,392.36	1,209,327.64
Bronze cents	12,498,023.17	188,372.52	12,309,650.65
Bronze 2-cent pieces	912,020.00	337,943.72	574,076.28
Nickel 3-cent pieces	905,768.52	278,967.61	626,800.91
Nickel 5-cent pieces	22,489,678.95	1,864,519.60	20,625,159.35
Total	40,416,024.19	3,847,829.40	36,568,194.79

Minor coins to the amount of $2,292,910.25 have been distributed throughout the States and Territories of the United States during the fiscal year 1903—$1,428,380 in nickel 5-cent pieces and $864,530.25 in bronze 1-cent pieces.

The expenditure for the distribution of minor coin for the same period was $41,682.25.

The seigniorage on the coinage of purchased metal for the fiscal year was $4,954,300.73, as shown by the following table:

Items.	Coined.	Seigniorage.
Standard silver dollars	$8,026,785.00	$2,409,624.82
Subsidiary silver coins	1,704,667.25	589,108.70
Minor coins	2,294,850.00	1,955,567.21
Total	12,026,302.25	4,954,300.73

In addition to the regular coinage, 250,000 gold dollars of special design were struck for the Louisiana Purchase Exposition.

The coinage for foreign governments executed during the year was 750,000 pieces of silver for the Government of Venezuela and 1,360,000 silver pieces for Colombia; 3,577,405.29 standard ounces of silver bullion, costing $1,671,002.31, were purchased for the silver coinage of the Philippine Archipelago.

For the minor coins of the Philippine Archipelago there were received and delivered to the coiner the following quantity of blanks prepared and ready to receive the imprint of the dies:

Denomination.	Pounds avoirdupois.
Bronze ½ centavo	30,000
Bronze 1 centavo	60,000
Nickel 5 centavos	45,000
Total	135,000

The coinage executed for the Philippine Islands was as follows:

Denomination.	Pieces.	Value, pesos.	Cost value.
Pesos	2,582,365	2,582,365.00	$1,025,695.31
50 centavos	1,101,595	550,797.50	221,753.32
20 centavos	501,282	100,256.40	40,194.13
10 centavos	1,001,542	100,154.20	40,152.85
5 centavos	2,651,020	132,551.00	15,761.90
1 centavo	3,541,020	35,410.20	11,328.57
½ centavo	3,101,020	15,505.10	5,211.58
Total	14,479,844	3,517,039.40	1,360,097.66

GOLD, SILVER, AND BRONZE MEDALS MANUFACTURED AT THE MINT OF THE UNITED STATES AT PHILADELPHIA DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

Name of medal.	Gold.	Silver.	Bronze.
Adams, John, President			15
Adams, John Quincy, President			15
Allegiance		1	5
Alumni, Philadelphia College of Pharmacy	1	1	1
Armstrong, Colonel		3	
American Florists		6	4
Arthur, Chester A., President			15
Biddle, Captain			5
Brown, General			5
Brown Memorial, Portland, Me., Schools		10	
Buchanan, James, President			15
Cabinet		1	5
Carney (Lowell School)		7	
Cathedral			12
Cleveland, Grover, President			12
Commencement of Cabinet	1		5
Crogan, George, Colonel			5
Dartmouth College			4
De Fleury, Count			5
Derby (Boston Latin School)	1		

GOLD, SILVER, AND BRONZE MEDALS MANUFACTURED AT THE MINT OF THE UNITED STATES AT PHILADELPHIA, ETC.—Continued.

Name of medal.	Gold.	Silver.	Bronze.
Dodd, Hannah M. (Girard estate), Philadelphia	2	2	.....
Emancipation Proclamation	.....	3	.....
English Composition	.....	.....	2
Elliott, Captain	.....	6	6
Fillmore, Millard, President	.....	.....	15
First Steam Coinage	.....	.....	5
Franklin (Boston Schools)	.....	28	.....
Garfield, James A., President	2	4	21
Garfield Indian Peace	.....	1	.....
Grant, Ulysses S., President	.....	.....	21
Great Seal	.....	.....	1
Harrison, Major-General	.....	.....	5
Harrison, Benjamin, President	.....	.....	15
Harrison, William H., President	.....	.....	13
Harvard Law School	.....	.....	6
Hayes, Rutherford B., President	.....	.....	15
Hoff Memorial	1	.....	.....
Humane Society of Massachusetts	.....	20	25
Indian Peace	.....	3	5
Jackson, General	.....	.....	5
Jackson, Andrew, President	.....	.....	15
Jefferson, Thomas, President	.....	.....	15
Johnson, Andrew, President	.....	.....	16
Jones, John Paul	.....	.....	5
Jones, Jacob, Captain	.....	.....	5
Ketchum, Jesse	4	105	.....
Lafayette College	2	.....	.....
Let us have peace	.....	1	5
Lincoln, Abraham, President	.....	.....	29
Lincoln and Grant	.....	2	.....
Lincoln and Garfield	1	3	.....
Life Saving (State Department)	45	20	.....
Life Saving (Treasury Department)	20	20	.....
Macomb, Major General	.....	.....	5
Madison, James, President	.....	.....	11
McCall, Lieutenant	.....	.....	5
McKinley, William, President	.....	.....	135
Monroe, James, President	.....	.....	15
Morgan, General	.....	1	.....
Naval Institute	1	.....	.....
New York Florists	.....	10	4
Norman, "Civil Engineers"	1	2	.....
Noyes, George H., Prize, Nashua, N. H	2	.....	.....
Orators (Washington and Lee University)	1	.....	.....
Pacific Railroad	.....	.....	5
Pennsylvania Bi-Centennial	.....	1	.....
Perry, Captain	.....	1	.....
Pierce, Franklin, President	.....	.....	15
Polk, James K., President	.....	.....	11
Presidency Relinquished	.....	2	.....
Proctor (Philadelphia College of Pharmacy)	1	.....	.....
Phillips, D. K. (Boston Schools)	1	3	.....
Roberts, George E., Director of the Mint	.....	.....	6
Santine (Washington and Lee University)	1	.....	.....
Scholarship	.....	.....	2
Shelby, Isaac, Governor	.....	.....	5
St. John's Commandery, Philadelphia	.....	.....	50
Suydam (New York Academy of Design)	.....	6	6
Taylor, General	.....	.....	5
Taylor, Zachary, President	.....	.....	15
Time increases his fame	5	.....	40
Tyler, John, President	.....	.....	15
United States Assay Commission	.....	10	2
United States Coast Survey	.....	.....	10
United States Diplomatic	.....	.....	1
United States Army Marksmanship	12	22	29
University of Pennsylvania	4	.....	.....
Valley Forge Centennial	.....	.....	5
Van Buren, Martin, President	.....	.....	15
Vanderbilt, Cornelius	.....	.....	5
Warrington, Captain	.....	.....	5
Washington before Boston	.....	.....	33
Washington, William, Colonel	.....	1	.....
Washington and Jackson	1	3	.....
Washington and Lincoln	.....	7	.....
Washington and Grant	.....	2	.....
Washington Wreath	.....	1	.....
Webb (Philadelphia College of Pharmacy)	1	.....	.....
West Indian Campaign	.....	.....	7,017
Total	111	349	7,850

An unusual amount of work on dies for new medals was done during the year. The dies for the medal of the Director of the Mint and for the Washington Presidential medal were completed; also those for the West Indian Campaign and Special Meritorious medals and for the medal for the Jefferson Memorial Association.

The following table shows the number of proof coins and medals sold, nominal value, amount received, and the profit on the same during the fiscal year ended June 30, 1903:

Articles.	Number of pieces.	Nominal value.	Amount received.	Profit.
Gold medals	111	$4,505.24	$4,687.50	$182.26
Silver medals	309	226.84	646.75	419.91
Bronze medals	8,487	1,848.70	6,304.56	4,455.86
Gold proof coins	556	5,315.00	5,479.00	164.00
Silver proof coins	3,172	1,467.05	1,918.76	451.71
Minor proof coins	4,130	123.90	165.20	41.30
Total	16,765	13,486.73	19,201.77	5,715.04

MONETARY STATISTICS OF FOREIGN COUNTRIES.

The statistics of the production and coinage of the precious metals, imports and exports of gold and silver, amount of bank and government notes, both covered and uncovered, of the different foreign countries, published annually in the reports of this Bureau, are obtained directly from the governments of such countries by the representatives of the United States accredited to them.

A list of the interrogatories covering the points on which information is sought from the governments of foreign countries is sent yearly to the United States ambassadors and ministers through the Department of State, and the replies in the form of reports are forwarded directly to the Bureau of the Mint.

1. What was the amount of gold coined during the calendar year 1902 by denominations and values? What amount of this was recoinage? Domestic and foreign coins melted given separately.
2. What was the amount of silver coined during the calendar year 1902 by denominations and values? What amount of this was recoinage? Domestic and foreign coins melted given separately. If any of this was executed at foreign mints, please give separate statement.
3. Was any coinage executed for other governments during the year 1902? If so, state character and amount of same.
4. What was the weight of fine gold used in the industrial arts during the calendar year 1902?
5. What amount of this was new gold, what amount old gold, and what amount coins?
6. What was the weight of fine silver used in the industrial arts during the calendar year 1902?
7. What amount of this was new silver, what amount old silver, and what amount coins?
8. What was the import and export of gold during the calendar year 1902? (Coin, bullion, and ore, as well as their weight and value, should be given separately, if possible.) If practicable, give imports and exports by countries.
9. Same question as to silver.
10. What was the total import of United States gold coin during the year 1902?

[a] By R. S. §3524, amended by 1881, March 1, ch. 95 (1 Supp. R. S., 319), the charge for melting or refining bullion is to be fixed by the Director of the Mint. By 1875, January 14, ch. 15, §2 (1 Supp. R. S., 58), so much of R. S. 3524 as provides for a charge for converting standard gold bullion into gold coin is repealed.

11. What was the total import of gold from the United States, direct, in 1902?
12. What was the amount of United States gold coin deposited at the mints and melted?
13. What was the weight expressed in kilograms fine, and the value of the gold produced from the mines of the country during the calendar year 1902?
14. Same question as to the gold product of the colonies of the country, naming them separately.
15. What was the weight, expressed in kilograms fine, and the value of the silver produced from the mines of the country during the calendar year 1902? (In answering this interrogatory, state whether the value given is commercial or coining value.)
16. Same question as to the silver product of the colonies of the country. State whether the value given is commercial or coining value.
17. What was the weight and what the value of the output of gold from the refineries of the country during the year? Give the sources of this output if practicable.
18. Same question as to silver.
19. What, approximately, was the stock of gold coin and bullion in the country at the close of the calendar year 1902? Give stock in public treasuries and banks and in circulation separately.
20. Same question as to silver.
21. What was the amount of Government notes outstanding at the end of the year 1902?
22. What was the amount of bank notes outstanding at the end of the year 1902?
23. What was the amount of Government notes outstanding not covered by legal-tender gold and silver coin or bullion at the end of the year 1902?
24. What was the amount of bank notes outstanding not covered by legal-tender gold and silver coin or bullion at the end of the year 1902?
25. What was the actual currency of the country, gold, silver, or inconvertible paper?
26. Is gold at a premium as compared with the actual currency of the country? And if it is, what was the highest, lowest, and average premium during the year 1902?
27. What was the highest, lowest, and average rate of exchange on London during the year 1902? Give this by months, if practicable.
28. Were any laws passed during the year 1902 affecting the coinage, issue, or legal-tender character of the metallic or paper currency? If so, please forward copies of the same.
29. Is there a report published on the operations of the mint? If so, please forward a copy of the same; also a report of the Department of Mines for 1902.

The replies to interrogatories, which are given in full in the appendix to this report, are indicated by the numbers of the questions.

In the list of questions propounded to foreign governments for the calendar year 1902 were the following:

What was the total import of United States gold coin during the year?
What was the total import of gold from the United States direct in 1902?
What was the amount of United States gold coin deposited at the mints and melted.

The following table shows the countries from which answers to these three interrogatories were received, the amount of United States gold coin imported by them, and the value of the United States gold coin melted at their mints:

Countries.	Import of United States gold coin.	Total import of gold from United States.	United States gold coin melted.
Austria-Hungary	$1,402,437	$4,701,177	$735,792
Germany	646,071	4,007,618	10,387,265
Great Britain		248,970	
Japan	532,534	1,730,630	402,183
Dutch Guiana	7,000	7,000	
Mexico		772,507	
Siam	125	125	
France		13,396,941	
Spain	2,094	2,094	
Total	2,590,261	25,466,862	11,525,240

ACKNOWLEDGMENTS.

The acknowledgments of the Director are due to the clerical staff of the Bureau, and to the officers and clerks of the various mints and assay offices, for the zeal and fidelity they have shown in the performance of the duties required of them.

Respectfully,

GEO. E. ROBERTS,
Director of the Mint.

Hon. LESLIE M. SHAW,
Secretary of the Treasury.

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REPORT OF THE COMPTROLLER OF THE CURRENCY.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, December 7, 1903.

SIR: In compliance with the requirements of section 333 of the Revised Statutes of the United States, the fortieth annual report of the operations of the Currency Bureau for the year ended October 31, 1903, is submitted herewith.

CONDITION OF NATIONAL BANKS.

The resources and liabilities of the banks in active operation, as shown by reports submitted during the past year, appear in detail in the following table:

ABSTRACTS OF REPORTS OF CONDITION OF NATIONAL BANKS IN THE UNITED STATES FROM NOVEMBER 25, 1902, TO SEPTEMBER 9, 1903.

	Nov. 25, 1902, 4,666 banks.	Feb. 6, 1903, 4,766 banks.	April 9, 1903, 4,845 banks.	June 9, 1903, 4,939 banks.	Sept. 9, 1903, 5,042 banks.
RESOURCES.					
Loans and discounts	$3,303,148,091.17	$3,350,897,744.63	$3,403,217,618.96	$3,415,045,751.01	$3,481,446,772.04
Overdrafts	43,522,543.40	35,721,746.57	29,920,759.56	27,258,743.95	27,191,997.30
U. S. bonds to secure circulation	341,328,820.00	342,071,460.00	343,119,320.00	368,941,370.00	381,568,980.00
U. S. bonds to secure U. S. deposits	131,376,700.00	134,339,030.00	134,984,170.00	135,845,870.00	136,940,020.00
Other bonds to secure U. S. deposits	19,705,749.84	17,665,067.10	17,365,252.10	16,743,055.00	22,000,134.60
U. S. bonds on hand	5,364,030.00	9,414,750.00	10,044,275.00	8,076,020.00	4,237,660.00
Premiums on U. S. bonds	13,783,389.91	14,189,052.11	14,779,570.59	14,238,178.73	14,704,044.72
Bonds, securities, etc.	491,921,929.10	511,260,365.55	517,410,083.84	521,928,417.27	518,746,233.82
Banking house, furniture, and fixtures	95,093,525.16	100,010,991.40	101,578,097.41	102,244,612.18	106,948,864.60
Other real estate owned	21,515,274.72	21,398,452.02	21,370,412.80	21,845,669.37	21,587,610.37
Due from national banks	275,897,193.01	271,988,371.96	263,835,801.78	274,051,890.87	260,187,597.00
Due from State banks and bankers	88,228,677.38	92,465,790.80	94,052,977.25	90,068,935.96	105,045,992.82
Due from approved reserve agents	436,820,873.39	479,724,850.92	454,802,717.59	437,792,438.30	454,907,648.00
Internal-revenue stamps	211,075.25	148,847.51	97,013.36	63,766.13	41,752.63
Checks and other cash items	21,332,144.77	23,845,816.90	22,327,859.87	22,125,859.22	23,436,462.63
Exchanges for clearing house	236,990,495.28	214,496,241.45	201,934,216.82	227,580,488.61	147,695,772.50
Bills of other national banks	23,168,903.00	23,394,425.00	24,619,614.00	27,625,685.00	26,497,330.00

ABSTRACTS OF REPORTS OF CONDITION OF NATIONAL BANKS IN THE UNITED STATES FROM NOVEMBER 25, 1902, TO SEPTEMBER 9, 1903—Continued.

	Nov. 25, 1902, 4,666 banks.	Feb. 6, 1903, 4,766 banks.	April 9, 1903, 4,845 banks.	June 9, 1903, 4,939 banks.	Sept. 9, 1903, 5,042 banks.
RESOURCES—cont'd.					
Fractional currency, nickels, and cents	$1,407,269.15	$1,633,212.27	$1,579,272.24	$1,611,235.05	$1,596,934.23
Gold coin	101,333,096.64	105,288,729.44	105,337,464.08	107,539,938.25	105,569,894.40
Gold Treasury certificates	115,484,070.00	118,765,050.00	108,460,880.00	104,561,520.00	119,367,220.00
Gold Treasury certificates payable to order	28,015,000.00	42,215,000.00	32,385,000.00	28,505,000.00	27,180,000.00
Gold clearing-house certificates	76,814,000.00	72,435,000.00	68,693,000.00	64,984,000.00	63,307,000.00
Silver dollars	9,389,713.00	11,160,021.00	10,481,056.00	10,560,422.00	10,336,143.00
Silver Treasury certificates	51,950,374.00	58,161,298.00	54,637,578.00	63,350,733.00	62,791,768.00
Silver fractional coin	8,295,406.98	9,547,047.93	9,086,542.92	9,114,764.60	9,004,142.54
Total specie	391,281,660.62	417,572,116.37	389,081,521.00	388,616,377.85	397,556,167.94
Legal-tender notes	142,310,109.00	153,025,573.00	147,133,313.00	163,592,829.00	156,749,859.00
Five per cent redemption fund	16,661,574.57	16,660,945.99	16,580,783.28	17,803,748.92	18,605,093.15
Due from U.S. Treasurer	3,021,887.74	2,848,275.56	2,957,839.49	3,834,163.74	2,737,039.02
Total	6,104,091,916.46	6,234,773,157.11	6,212,792,489.94	6,286,935,106.16	6,310,429,966.37
LIABILITIES.					
Capital stock paid in	714,616,353.00	731,275,237.06	734,903,303.00	743,506,048.00	753,722,658.00
Surplus fund	335,763,730.38	351,140,285.79	354,033,637.08	359,053,429.53	370,390,684.26
Undivided profits, less expenses and taxes	181,723,772.29	165,831,828.58	177,089,346.07	183,130,107.99	185,980,765.66
National-bank notes outstanding	336,505,993.50	335,226,236.50	335,093,791.50	359,261,109.00	375,037,815.50
State-bank notes outstanding	42,781.50	42,781.50	42,781.50	42,781.50	42,780.50
Due to other national banks	607,044,194.03	673,090,724.03	640,761,449.34	627,514,736.06	622,838,024.16
Due to State banks and bankers	281,071,701.50	298,878,012.39	295,049,952.51	288,112,425.30	307,425,777.89
Due to trust companies and savings banks	230,041,156.03	269,502,545.36	253,622,374.00	263,174,107.96	266,966,911.92
Due to approved reserve agents	36,735,916.05	30,795,257.75	28,489,879.41	33,445,223.96	29,252,032.53
Dividends unpaid	1,025,534.84	1,291,510.73	1,234,119.57	1,541,898.25	994,564.03
Individual deposits	3,152,878,796.65	3,159,534,591.89	3,168,275,260.71	3,209,993,509.22	3,156,333,499.07
U.S. deposits	138,464,809.47	140,493,423.06	140,677,485.71	139,385,371.81	140,411,999.26
Deposits of U. S. disbursing officers	8,353,604.53	7,341,264.60	7,350,577.83	7,717,111.41	9,203,001.55
Bonds borrowed	39,254,256.60	42,219,112.13	43,029,101.90	40,307,683.05	39,661,003.81
Notes and bills rediscounted	7,640,449.74	6,068,612.06	6,477,639.83	8,263,989.77	15,316,951.35
Bills payable	25,728,041.08	16,853,225.69	18,524,595.74	20,495,253.19	31,749,420.71
Liabilities other than those above	7,200,825.27	5,188,508.05	8,137,194.24	10,990,320.16	5,102,076.17
Total	6,104,091,916.46	6,234,773,157.11	6,212,792,489.94	6,286,935,106.16	6,310,429,966.37

By comparison of returns made on September 9, 1903, with those of September 15, 1902, it is observed that there has been an increase in number of reporting associations of 441 and a net increase of $196,501,053.87 in aggregate resources. The increases of the principal items of resources are as follows: Loans and discounts, $201,319,291; United States bonds, $65,799,650; specie, $31,320,047.92; legal tenders, $14,992,241.

During this period the loanable funds were augmented as follows: Capital stock to the extent of $48,187,241; surplus and other profits, $60,760,984.23; Government deposits, $25,671,197.37.

The net increase in aggregate resources was 3.2 per cent, but in loans and discounts 6.1 per cent. The banks in every geographical division, exclusive of the New England States, participated in the

increase in loans, varying from 4.1 per cent in the Eastern States to 37.1 per cent in the Pacific States. The increase in the Middle Western States was 6.6 per cent, in the Western States, 10.7 per cent, and in the Southern States, 17.5 per cent. The decrease in the volume of loans of banks in the New England States was $16,400,000 or 3.9 per cent.

Notwithstanding the increase in loanable funds and the volume of loans and discounts, there was a net decrease from September 15, 1902, to September 9, 1903, in individual deposits of $52,940,394.86. This item reached the maximum during the year, and also during the existence of the national banking system, on June 9, 1903, namely, $3,200,993,509.22. This was an increase of $32,718,248.51 over April 9, 1903. From this high-water mark of $3,200,993,509.22 there was a decline on September 9 to $3,156,333,499.07, or $44,660,010.15.

The capital stock and surplus funds of the associations gradually increased from $714,616,353 and $335,763,730.38, respectively, on November 25, 1902, to $753,722,658 and $370,390,684.26, respectively, on September 9, 1903. National-bank circulation outstanding varied but slightly from November 25, 1902, to April 9, 1903, but decreased between those dates from $336,505,993 to $335,093,791. On June 9, 1903, however, the issues reached $359,261,109, and there was a further increase on September 9, 1903, to $375,037,815.

The deposits of the United States with the national banks have shown but slight variations during the year, the amount to the credit of the Government on November 25, 1902, being $138,464,809.47, and at the close of the year $140,411,999.26. Bills payable and rediscounts were at their minimum on February 6, 1903, and at that time amounted to $22,921,837.75, and were at their maximum, $47,066,372.06, on September 9, 1903.

United States bonds on deposit to secure circulation increased from $341,328,820 on November 25, 1902, to $343,119,320 on April 9, 1903; to $368,941,370 on June 9, and to $381,568,980 on September 9. United States bonds on deposit to secure public deposits increased during the year from $131,376,700 on November 25, 1902, to $136,940,020 on September 9, 1903. Bonds other than United States securities, deposited to secure public deposits, amounted on November 25, 1902, to $19,705,749.84, and steadily decreased to $16,743,055 on June 9, 1903. On September 9, 1903, however, securities of this character were on deposit to the amount of $22,000,134.60.

The specie holdings with the banks varied from a minimum of $388,616,377.85 on June 9, 1903, to a maximum of $417,572,146.37 on February 6 of that year. The amount of gold in the banks on the date last mentioned was $105,288,729; gold treasury certificates, $118,765,050; gold treasury certificates, payable to order, $42,215,000, and gold clearing-house certificates, $72,435,000; total gold and gold certificates, $338,703,779. Of the holdings of silver $11,160,021 was in dollars; $58,161,298 in certificates, and $9,547,048 in fractional coin; total silver, $78,868,367. On September 9, 1903, the specie held amounted to $397,556,168, classified as follows: Gold coin, $105,569,894; gold treasury certificates, $119,367,220; gold treasury certificates, payable to order, $27,180,000; gold clearing-house certificates, $63,307,000; total gold and gold certificates, $315,424,114; silver certificates, $62,791,768; silver dollars, $10,336,143, and fractional silver coin, $9,004,143; total silver, $82,132,054.

RESERVE.

The deposit liabilities of national banks on which reserve is required amounted on November 25, 1902, to $3,705,217,132, against which was held in cash, in funds credited by reserve agents, and in the 5 per cent redemption fund, $987,074,218 or 26.64 per cent. The legal reserve, however, amounted to $817,981,481, or 22.08 per cent. The deposit liabilities increased on February 6, 1903, to $3,851,394,205; declined to $3,823,441,585 on April 9, and to $3,817,035,031 on June 9. At date of the report made on September 9, 1903, the deposit liabilities had increased to $3,863,512,112, on which legal reserve was held of $850,762,184, or 22.02 per cent. The percentage of all available funds to deposit liabilities ranged from a minimum of 26.25 on April 9 to a maximum of 27.70 on February 6, and percentage of legal reserve was the lowest and highest on the same dates, being 21.68 and 22.48, respectively. The average rate per cent of legal reserve maintained by the national banks of the city of New York exceeded the requirement at date of each report during the year, and varied from a maximum of 28.41 on November 25, 1902, to a minimum of 26.96 on April 9, 1903.

The aggregate reserves of Chicago banks were deficient at date of each report except on June 9, 1903, when the average was 25.30. The same comment applies to the St. Louis banks, although their reserve on June 9 was 25.79. The average rate of reserve maintained by banks in other reserve cities exceeded the requirement on each date except on November 25, 1902, namely, 24.77, and April 9, 1903, the average rate being 24.52. The uniformity of the percentage of reserve maintained by country banks is notable, as it fluctuated from a minimum of 17.59 on November 25, 1902, to a maximum of 17.66 on April 9, 1903. An examination of the reserve statements incorporated in the abstracts shows that approximately two-thirds of the legal reserve held is represented by specie and legal tenders carried in the vaults of the banks.

CLASSIFICATION OF LOANS AND DISCOUNTS OF NATIONAL BANKS ON SEPTEMBER 9, 1903.

The loans and discounts of national banks reached their maximum in the history of the system on September 9, 1903, when they aggregated $3,481,446,772. Of these loans $283,108,946 was demand paper with one or more individual or firm names; $717,258,621 on demand secured by stocks, bonds, etc.; $1,267,524,336 on time, on two or more individual or firm names; $558,115,739 on time, single-name paper, and $655,439,130 time paper secured by stocks, bonds, etc.

The loans of the banks located in the central reserve cities—New York, Chicago, and St. Louis—amounting to $902,294,038, represented over one-fourth of the entire amount of loans and discounts carried by the national banks of the country, and over one-sixth of the aggregate volume was made by the New York City banks, the exact figures being $631,565,824. The demand paper secured by stocks, etc., held by the New York banks, aggregated $281,438,758; the demand paper with one or more individual firm names $10,311,371; two or more name paper, on time, $136,021,466; single-name paper on time, $93,384,112; and time loans secured by stocks, bonds, etc., $110,410,117. The loans and discounts made by the 351 associations located in the

central and other reserve cities aggregated $1,802,659,666, against $1,678,787,106 by the 4,691 associations located elsewhere.

In connection with the foregoing summary relating to the loans and discounts of national banking associations, the accompanying table, furnished to this office through the courtesy of the Wm. B. Dana Company, of New York, relating to the range and average monthly rates for money in the New York market during the year ended October 31, 1903, will be examined with interest.

As will be observed, the average monthly rate for call loans varied from a maximum of 7¼ per cent in December, 1902, to a minimum of 2 per cent in August, 1903; time loans from a maximum of 6 + 2 per cent commission in December of last year to a minimum of 3½ per cent in June and July of the current year; choice double-name paper from a maximum of 6 to a minimum of 4½, and for single-name paper 7 to 4¾.

The table follows:

Character of loans.	1902.		1903.			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Call loans:						
Stock exchange—						
Range	2 to 7	3 to 15	2⅜ to 14	2 to 4	2⅛ to 15	2 to 15
Average	4⅞	7⅝	4⅛	2⅞	5⅛	5
Banks and trust companies	4⅛ to 5	6 to 12	4 to 7	2⅛ to 3	4 to 6	3⅛ to 6
Time loans:						
Thirty days	6		4½ to 5			
Sixty days	6 to 6[a]	6 to 6[b]	4⅛ to 5⅛	4 to 5	5 to 6	4 to 5⅛
Ninety days	5⅛ to 6[a]	6 to 6[b]	4⅛ to 5⅛	4 to 5	5 to 6	4⅛ to 5⅛
Four months	5⅛ to 6	6	4⅛ to 5⅛	4⅛ to 5	5 to 5⅜	4⅛ to 5⅛
Five months	5⅛ to 6	5⅜ to 6	4⅛ to 5⅛	4⅛ to 5	5 to 5⅜	4⅛ to 5⅛
Six months	5⅛ to 6	5⅜ to 6	4⅛ to 5⅛	4⅛ to 5	5 to 5⅜	4⅛ to 5⅛
Seven months						
Commercial paper:						
Double names—						
Choice, 60 to 90 days	5⅛ to 6	6	4⅜ to 5⅛	4⅜ to 5⅛	5 to 6	5 to 5⅛
Single names—						
Prime, 4 to 6 months	5⅛ to 6	6	4⅜ to 5⅛	4⅜ to 5⅛	5⅛ to 6	5 to 6
Good, 4 to 6 months	6 to 6⅛	6⅛	5 to 5⅜	5⅛ to 6	5⅛ to 6⅛	5⅛ to 6⅛

Character of loans.	1903.					
	May.	June.	July.	Aug.	Sept.	Oct.
Call loans:						
Stock exchange—						
Range	1⅛ to 3	1⅛ to 10	1 to 6	1 to 3⅛	1⅛ to 3	1⅛ to 5
Average	2⅛	2⅝	2⅜	2	2⅛	2⅞
Banks and trust companies	2⅛ to 3⅛	2⅛ to 3	2 to 3	2 to 2⅛	2 to 2⅛	2 to 3
Time loans:						
Thirty days			3½		4	
Sixty days	3⅜ to 4	3⅛ to 5	3⅛ to 6	5 to 5⅛	4⅛ to 5⅛	4⅛ to 5⅛
Ninety days	3⅜ to 4	3⅛ to 5	3⅛ to 6	4⅞ to 5⅛	5 to 6	4⅞ to 5⅛
Four months	4 to 4⅛	4⅛ to 5⅛	4⅛ to 6	5 to 5⅛	5⅛ to 6	4⅜ to 5⅛
Five months	4 to 4⅛	4⅛ to 5⅛	4⅞ to 6	5⅛ to 5⅜	5⅛ to 6	4⅜ to 5⅛
Six months	4⅛	5 to 5⅛	5 to 6	5⅛ to 6	5⅛ to 6	4⅜ to 5⅛
Seven months		5 to 6	5⅛ to 5⅜			
Commercial paper:						
Double names—						
Choice, 60 to 90 days	4⅛ to 5	4⅜ to 5⅛	5 to 5⅜	5⅜ to 6	6	5⅛ to 6
Single names—						
Prime, 4 to 6 months	4⅜ to 5⅛	4⅜ to 5⅛	5⅛ to 6	5⅜ to 6⅛	6 to 6⅛	5⅛ to 6⅛
Good, 4 to 6 months	5⅛ to 6	5⅛ to 6	5⅜ to 6⅛	6⅛ to 7	6⅛ to 7	6 to 7

[a] + commission of 1 per cent.

[b] + commission of 2 per cent.

CLEARING-HOUSE EXCHANGES.

Through the courtesy of the manager of the New York clearing house this office has been placed in receipt of statements relating to the transactions of the clearing houses of the country for the years ended September 30, 1902 and 1903. The volume of business, as indicated by the exchanges, reached $115,892,198,634 in 1902, but declined to $114,068,837,569 in 1903, the decrease being $1,823,361,065. The gross increase aggregated $2,353,386,263, and the decrease $4,176,747,328, in the latter being included the decrease in exchanges of the New York clearing house, amounting to $3,919,533,496. For the current year exchanges of the New York clearing house aggregated $70,833,655,940, approximately 62 per cent of the volume of the exchanges of the clearing houses of the country. Second in magnitude is Chicago, with $8,627,554,264, followed by Boston, with $6,837,767,883; Philadelphia, with $5,968,775,428; St. Louis, with $2,465,057,926; and Pittsburg, with $2,381,454,231. The only other clearing houses with exchanges exceeding a billion dollars are San Francisco, Baltimore, Cincinnati, and Kansas City.

The New York clearing house is represented by 57 banks, a less number than at any time since 1865, except in 1878, when the number was the same as at present, although the capital, $113,072,700, is greater than at any date since the establishment of the clearing house in 1854. Clearings of the New York association for the year 1903, amounting to $70,833,655,940, were settled by the use of $3,315,516,487 in lawful money, or 4.68 per cent of the clearings. In 1896 but 0.01 per cent of the balances was paid in gold, whereas in 1903 the percentage was 99.99. The average daily clearings during the year were $233,005,447, and the average daily balances paid in money $10,906,304. From the comparative statement of transactions of the New York clearing house from 1854 to 1903, inclusive, it is shown that the aggregate clearings have been $1,505,995,524,933.

The transactions of the assistant treasurer of the United States at New York with the clearing house for the year ended September 30, 1903, amounted to $433,873,163.44, and the amount of balances paid to the clearing house by the assistant treasurer $217,935,693.67.

In the appendix to the annual report of the Comptroller of the Currency will be found tables showing the amount of exchanges of clearing houses of the United States from 1895 to 1903; the transactions of the New York clearing house from 1854 to 1903; the exchanges, balances, percentages of balances to exchanges, and of funds used in settlement of balances by the New York clearing house, annually, from 1892 to 1903; and also the clearing house transactions of the assistant treasurer of the United States at New York for the year ended September 30, 1903.

EARNINGS, DIVIDENDS, AND SHAREHOLDERS OF NATIONAL BANKS.

Section 5212 of the Revised Statutes provides in part that every national banking association shall report to this office within ten days after the declaration of a dividend the amount of such dividend and the amount of net earnings in excess thereof. This law did not take effect until 1869, in consequence of which the records of the office contain no data with respect to the earnings and dividends of national banks prior to that date.

In a large majority of cases dividends are declared semiannually, although there are a number of associations declaring quarterly and a few bimonthly dividends. The returns, however, are abstracted in semiannual periods terminating March 1 and September 1. An abstract of reports of earnings and dividends for the last two periods is incorporated in the appendix to the annual report of the Comptroller of the Currency, accompanied by a summary of returns of this character from March 1, 1869, to March 1, 1903. In the table last mentioned the number of banks, their capital and surplus are averaged from the two semiannual abstracts. The number of banks reporting during the year ended March 1, 1903, was 4,451, with capital stock and surplus of $688,817,835 and $324,462,477, respectively. The net earnings amounted to $102,743,721 and the dividends $60,123,622, the latter being 8.7 per cent on the capital and 5.9 on capital and surplus. The banks paid dividends at the rate of 9.8 per cent on capital and at the rate of 6.8 per cent on capital and surplus in the year ended March 1, 1902. The table in question covers a period of thirty-four years and shows that the average rate per cent of dividends to capital was 8.25 and to capital and surplus 6.23. The net earnings of the banks from March 1, 1869, to March 1, 1903, are shown to have been $1,978,062,738, and the dividends $1,555,244,710.

Section 5210 of the Revised Statutes requires every national banking association to keep a correct list of names and residences of all shareholders, subject to inspection by stockholders, creditors of the association, and officers authorized to assess taxes under State authority, and to file with the Comptroller of the Currency a copy of the list as of the first Monday of July of each year. An examination of the lists filed in July last by the national banks shows the distribution of stock among 314,967 shareholders, the number of shares being 8,617,517, and the average holding 27 shares, approximately. Were it not for the fact that quite a number of associations in existence were conversions of State banks, with shares of stock less or more than $100, the number of shares of all national banks could readily be determined from the capital stock, as the national-bank act provides that the stock of banks of primary organizations shall be divided into shares of $100 each.

ORGANIZATION OF NATIONAL BANKS.

On February 25, 1903, the national-banking system had been in operation for a period of forty years, and from June 20, 1863, the date of issue of the first certificate authorizing a national bank to begin business, to October 31, 1903, there have been chartered 7,029 national-banking associations, with capital at date of organization of $860,931,182, of which 1,126, with capital of $293,148,628, were conversions of State banks effected in conformity with the provisions of section 5154 of the Revised Statutes, and the remaining 5,903, with capital of $567,782,554, banks of primary organization.

The impetus given to the formation of national-banking associations by the act of March 14, 1900, under authority of which banks are organized with minimum capital of $25,000, circulating notes issuable to the par value of bonds deposited, and semiannual duty on circulation reduced, 1,765 associations, with authorized capital of $104,493,000, have been added to the system. The organizations during this period represent approximately one-fourth of the total organizations effected during the existence of the national-banking system. Since March 14,

and under authority of that act, banks with individual capital of less than $50,000, the average being approximately $26,000, have been organized to the number of 1,148, with capital of $29,948,000. During this period 617 banks, with individual capital of $50,000 or over, were organized, their total capital amounting to $74,545,000. The average capital of banks of the larger class is approximately $120,000.

Prior to 1900 no official record was made of national banks organized as the successors of State or private banks placed in liquidation for that purpose. Beginning with the year in question, it appears that banks of that character to the number of 561, with capital of $36,405,000, were organized; 207, with capital of $13,928,500, converted from State institutions, leaving 997, with capital of $54,159,500, as banks of primary organization. In other words, 56.5 per cent were banks of primary organization and 43.5 per cent reorganizations of State and private banks and conversion of State banks. The percentage of capital of banks of primary organization was 51.8, and of conversions and reorganizations 48.2.

Classified by geographical divisions, the Middle Western States lead both in number and capital of banks organized—547, and $31,666,000, respectively. The Southern States follow second in number of organizations, namely, 421, and capital of $22,208,000. In the Western States 380 banks, with capital of $12,360,000, were organized; in the Eastern States 325 banks, with $27,214,000 capital; in the Pacific States 70 banks, with capital of $6,520,000; and in the New England States 19 banks, with $3,900,000 capital. Two associations, with aggregate capital of $525,000, have been organized in Hawaii, and one with capital of $100,000 in Porto Rico.

Notwithstanding authority conferred for the issue of circulation to the par value of bonds deposited, bonds to the amount of $25,174,850 only were deposited as security for circulation on the capital of $104,493,000—less than one-fourth of the amount which might have been deposited and circulating notes issued thereon.

In the following table appears a statement of the number and capital of banks of both classes organized in each State and geographical division from March 14, 1900, to October 31, 1903:

States, etc.	Capital less than $50,000.		Capital, $50,000 or over.		Total organizations.	
	No.	Capital.	No.	Capital.	No.	Capital.
Maine	1	$25,000	4	$225,000	5	$250,000
New Hampshire	1	25,000	2	200,000	3	225,000
Vermont	1	25,000	.....	.....	1	25,000
Massachusetts	.....	.....	6	2,800,000	6	2,800,000
Rhode Island	.....	.....	1	500,000	1	500,000
Connecticut	2	50,000	1	50,000	3	100,000
Total New England States	5	125,000	14	3,775,000	19	3,900,000
New York	29	735,000	32	6,460,000	61	7,195,000
New Jersey	16	425,000	12	825,000	28	1,250,000
Pennsylvania	95	2,447,000	114	14,775,000	209	17,222,000
Delaware	4	115,000	.....	.....	4	115,000
Maryland	13	352,000	9	830,000	22	1,182,000
District of Columbia	.....	.....	1	250,000	1	250,000
Total Eastern States	157	4,074,000	168	23,140,000	325	27,214,000
Virginia	22	577,500	14	1,110,000	36	1,687,500
West Virginia	21	600,000	16	1,235,000	37	1,835,000
North Carolina	12	310,000	2	150,000	14	460,000
South Carolina	3	75,000	6	810,000	9	885,000
Georgia	13	375,000	11	1,065,000	24	1,440,000

States, etc.	Capital less than $50,000.		Capital, $50,000 or over.		Total organizations.	
	No.	Capital.	No.	Capital.	No.	Capital.
Florida	2	$60,000	7	$850,000	9	$910,000
Alabama	7	177,500	14	925,000	21	1,102,500
Mississippi	2	50,000	8	825,000	10	875,000
Louisiana	6	150,000	9	900,000	15	1,050,000
Texas	133	3,573,000	60	4,480,000	193	8,053,000
Arkansas	5	125,000	4	300,000	9	425,000
Kentucky	16	410,000	13	2,370,000	29	2,780,000
Tennessee	9	235,000	6	470,000	15	705,000
Total Southern States	251	6,718,000	170	15,490,000	421	22,208,000
Ohio	59	1,575,000	41	4,980,000	100	6,555,000
Indiana	36	955,000	23	2,450,000	59	3,405,000
Illinois	67	1,750,000	32	5,130,000	99	6,880,000
Michigan	7	190,000	9	2,680,000	16	2,870,000
Wisconsin	18	470,000	14	1,700,000	32	2,170,000
Minnesota	111	2,826,000	16	1,600,000	127	4,426,000
Iowa	69	1,840,000	23	1,360,000	92	3,200,000
Missouri	12	325,000	10	1,835,000	22	2,160,000
Total Middle States	379	9,931,000	168	21,735,000	547	31,666,000
North Dakota	51	1,285,000	1	50,000	52	1,335,000
South Dakota	32	800,000	2	100,000	34	900,000
Nebraska	39	1,010,000	4	200,000	43	1,210,000
Kansas	36	925,000	15	1,050,000	51	1,975,000
Montana	2	55,000	1	250,000	3	305,000
Wyoming	3	75,000	3	150,000	6	225,000
Colorado	14	365,000	10	850,000	24	1,215,000
New Mexico	9	230,000	3	150,000	12	380,000
Oklahoma	71	1,795,000	9	650,000	80	2,445,000
Indian Territory	62	1,615,000	13	755,000	75	2,370,000
Total Western States	319	8,155,000	61	4,205,000	380	12,360,000
Washington	4	105,000	4	300,000	8	405,000
Oregon	8	200,000	1	100,000	9	300,000
California	6	155,000	24	4,950,000	30	5,105,000
Idaho	11	275,000	2	100,000	13	375,000
Utah	3	80,000	1	50,000	4	130,000
Arizona	4	105,000	2	100,000	6	205,000
Total Pacific States	36	920,000	34	5,600,000	70	6,520,000
Hawaii	1	25,000	1	500,000	2	525,000
Porto Rico			1	100,000	1	100,000
Total Islands	1	25,000	2	600,000	3	625,000
Total United States	1,148	29,948,000	617	74,545,000	1,765	a 104,493,000

a Bonds deposited, $25,174,850

During the year ended October 31, 1903, there were organized 553 associations with aggregate capital of $34,333,500, of which 343 with capital of $8,848,500 were with individual capital of less than $50,000 and 210 with capital of $25,485,000 with individual capital of $50,000 or over. A further division shows that there were 306 associations of primary organization with capital of $16,425,000; 49 with capital of $2,438,500, conversions, and 198 with capital of $15,470,000, reorganizations of State or private banks.

A summary of organizations effected during the current year is shown in the table following.

NATIONAL BANKS ORGANIZED IN EACH STATE AND GEOGRAPHICAL DIVISION, FROM NOVEMBER 1, 1902, TO OCTOBER 31, 1903.

States, etc.	Capital less than $50,000.		Capital $50,000 or over.		Total organizations.	
	No.	Capital.	No.	Capital.	No.	Capital.
Massachusetts and total New England States	.....	.....	1	$650,000	1	$650,000
New York	6	$150,000	9	950,000	15	1,100,000
New Jersey	4	105,000	4	200,000	8	305,000
Pennsylvania	34	865,000	42	5,035,000	76	5,900,000
Delaware	2	65,000	.....	.....	2	65,000
Maryland	2	50,000	2	100,000	4	150,000
District of Columbia	.....	.....	1	250,000	1	250,000
Total Eastern States	48	1,235,000	58	6,535,000	106	7,770,000
Virginia	6	157,500	6	450,000	12	607,500
West Virginia	8	235,000	6	625,000	14	860,000
North Carolina	3	80,000	1	100,000	4	180,000
South Carolina	1	25,000	4	700,000	5	725,000
Georgia	5	130,000	3	215,000	8	345,000
Florida	.....	.....	3	500,000	3	500,000
Alabama	1	25,000	4	300,000	5	325,000
Mississippi	1	25,000	4	450,000	5	475,000
Louisiana	1	25,000	2	150,000	3	175,000
Texas	21	550,000	19	1,670,000	40	2,220,000
Arkansas	2	50,000	4	300,000	6	350,000
Kentucky	5	135,000	2	100,000	7	235,000
Tennessee	1	25,000	1	200,000	2	225,000
Total Southern States	55	1,462,500	59	5,760,000	114	7,222,500
Ohio	23	585,000	11	810,000	34	1,395,000
Indiana	12	310,000	6	500,000	18	810,000
Illinois	18	450,000	15	1,830,000	33	2,280,000
Michigan	3	80,000	3	2,250,000	6	2,330,000
Wisconsin	5	140,000	3	650,000	8	790,000
Minnesota	49	1,256,000	5	900,000	54	2,156,000
Iowa	20	540,000	6	400,000	26	940,000
Missouri	3	85,000	3	350,000	6	435,000
Total Middle States	133	3,446,000	52	7,690,000	185	11,136,000
North Dakota	16	405,000	.....	.....	16	405,000
South Dakota	8	200,000	.....	.....	8	200,000
Nebraska	11	275,000	3	150,000	14	425,000
Kansas	12	310,000	7	400,000	19	710,000
Wyoming	.....	.....	1	50,000	1	50,000
Colorado	4	100,000	3	150,000	7	250,000
New Mexico	3	80,000	2	100,000	5	180,000
Oklahoma	18	455,000	3	250,000	21	705,000
Indian Territory	19	480,000	3	200,000	22	680,000
Total Western States	91	2,305,000	22	1,300,000	113	3,605,000
Washington	1	25,000	.....	.....	1	25,000
Oregon	4	100,000	1	100,000	5	200,000
California	2	50,000	13	3,200,000	15	3,250,000
Idaho	6	150,000	1	50,000	7	200,000
Utah	2	50,000	.....	.....	2	50,000
Arizona	1	25,000	2	100,000	3	125,000
Total Pacific States	16	400,000	17	3,450,000	33	3,850,000
Porto Rico	.....	.....	1	100,000	1	100,000
Total Islands	.....	.....	1	100,000	1	100,000
Total United States	343	8,848,500	210	25,485,000	553	34,333,500

In addition to the augmentation of capital resulting from the organization of national banks during the year there was an increase in the capital stock of previously existing associations to the amount of $52,412,900, banks to the number of 187 increasing their capital stock in conformity with the provisions of the act of May 1, 1886. In a number of instances increases of capital were effected for the purpose of absorbing the business of other associations placed in voluntary liquidation, and to provide, in a measure, for the shareholders of the closed institutions. As reports of proceedings relating to increase of

capital do not show what disposition is made of the additional stock issued, the extent to which shareholders of banks closed by liquidation participated in the increase of capital of the absorbing banks can not be stated.

The reduction of capital stock under the provisions of section 5143, United States Revised Statutes, amounted to only $2,095,000, and but 21 associations were concerned in these changes.

The most notable change effected during the past year was the increase of the capital stock of the National Bank of Commerce in New York from $10,000,000 to $25,000,000, and the consolidation with that association of the Western National Bank of United States in New York, which, prior to its liquidation, was capitalized for $12,500,000. The National Bank of Commerce and the City National Bank, of New York are the only national banking associations in existence with capital of $25,000,000. There are also in operation in the city of New York one national banking association with capital of $10,000,000 and one with $5,000,000. The only other national banks in the country with capital of $5,000,000 or more are the First National Bank of Chicago, $8,000,000, and the National Bank of Commerce of St. Louis, with $7,000,000 capital. National banks to the number of 117, with capital of $1,000,000 and over, but less than $5,000,000, are in operation in the principal cities of the country.

VOLUNTARY LIQUIDATIONS AND FAILURES.

Under the provisions of section 5220 of the Revised Statutes—that is, by the action of representatives of the required number of shares of stock—1,337 national banking associations have been placed in voluntary liquidation and the corporate existence of 146 banks, organized under the acts of 1863 and 1864, have expired by limitation, thus making the total number voluntarily closed 1,483, the aggregate capital at date of closing amounting to $260,239,550.

From the date of the first failure in 1865 to October 31, 1903, receivers have been appointed for 418 national banks, their capital aggregating $71,167,420. Of these banks, however, 19, with capital of $3,725,000, were placed in solvent condition and authorized to resume business, resulting in a net loss to the system by insolvency of 399 banks; with capital at date of failure of $67,442,420. The affairs of 330 of these trusts have been finally settled and the receiverships terminated. The capital of these associations at date of failure was $51,795,920, and their outstanding circulation $16,398,783. The total amount of assets (par value) coming into possession of receivers was $188,925,911, from which there was collected $88,074,670, and settled by offsets $14,672,927. The losses on assets, compounded or sold under order of court, aggregated $75,929,065, the nominal value of the remaining assets being $10,249,249. Stockholders were assessed to the amount of $30,826,020, from which was realized $14,469,575. On claims proved, amounting to $101,724,870, dividends were paid to the amount of $72,542,142, or 71.31 per cent. Including, however, offsets allowed, loans paid, etc., creditors received, on an average, 78.55 per cent on their claims.

The cost of the liquidation of insolvent banks—that is, receivers' salaries, legal and other expenses, based on the total amount collected from assets and from assessment on shareholders—was 8.3 per cent.

In conformity with law, there is submitted herewith lists of associations closed voluntarily and otherwise during the past year:

NATIONAL BANKS CLOSED TO BUSINESS, BY VOLUNTARY LIQUIDATION, DURING THE YEAR ENDED OCTOBER 31, 1903, WITH DATE OF AUTHORITY TO COMMENCE BUSINESS, DATE OF CLOSING, CAPITAL, AND CIRCULATION ISSUED, REDEEMED, AND OUTSTANDING.

Name and location of bank.	Date of authority to commence business.	Date of closing.	Capital stock.	Circulation.		
				Issued.	Redeemed.	Outstanding.
First National Bank, Billings, Okla.[a]	Sept. 10, 1901	Oct. 25, 1902	$25,000	$6,500	$2,280	$4,220
Ainsworth National Bank, Portland, Oreg.	Oct. 27, 1885	Nov. 3, 1902	100,000	25,000	9,125	15,875
First National Bank, Ravenna, Ohio	Oct. 17, 1863	Nov. 10, 1902	100,000	99,870	38,465	61,405
First National Bank, Pawpaw, Ill.	Apr. 24, 1902	.....do.....	30,000	7,500	3,300	4,200
Detroit National Bank, Detroit, Mich.	Feb. 1, 1883	Nov. 17, 1902	1,000,000	50,000	15,940	34,060
State National Bank, Quanah, Tex.	Sept. 20, 1901	Nov. 20, 1902	50,000	12,500	5,050	7,450
Drovers National Bank of Union Stock Yards, Chicago, Ill.	Jan. 12, 1883	Dec. 13, 1902	250,000	288,747	120,800	167,947
First National Bank, Grand Saline, Tex.	Feb. 19, 1901	Dec. 15, 1902	25,000	10,000	2,840	7,160
Linderman National Bank, Mauch Chunk, Pa.	Jan. 3, 1883	Dec. 30, 1902	50,000	29,500	11,010	18,490
Second National Bank, Mauch Chunk, Pa.	June 30, 1864	Dec. 31, 1902	150,000	152,849	60,370	92,479
Rochester National Bank, Rochester, Pa.	Jan. 20, 1899	Jan. 6, 1903	50,000	12,500	5,850	6,650
Home National Bank, Royersford, Pa.	June 9, 1892	Jan. 12, 1903	50,000	25,000	10,213	14,787
First National Bank, Paulding, Ohio	July 25, 1901	.....do.....	30,000	10,000	3,100	6,900
Old National Bank, Cambridge, Ohio	Jan. 20, 1883	.....do.....	100,000	40,000	10,700	29,300
American Exchange National Bank, Cleveland, Ohio.	Oct. 1, 1897	Jan. 14, 1903	500,000	225,000	63,968	161,032
Citizens' National Bank, McKeesport, Pa.	Mar. 17, 1893	Jan. 15, 1903	100,000	24,650	8,630	16,020
Western National Bank, New York, N. Y.	May 9, 1887	Jan. 31, 1903	2,100,000	544,050	183,933	360,117
First National Bank, Felicity, Ohio	Feb. 14, 1883	.....do.....	50,000	12,500	2,720	9,780
National Bank of Oshkosh, Oshkosh, Wis.	Feb. 10, 1883	Feb. 1, 1903	200,000	50,000	10,570	39,430
Mechanics' National Bank, Philadelphia, Pa.	Dec. 7, 1864	Feb. 16, 1903	500,000	479,110	169,800	309,310
First National Bank, Mauch Chunk, Pa.	May 25, 1864	Feb. 24, 1903	400,000	106,915	33,255	73,660
Second National Bank, Fall River, Mass.	May 26, 1864	.....do.....	150,000	121,360	42,440	78,920
First National Bank, Conneautville, Pa.	Dec. 7, 1863	.....do.....	50,000	14,443	3,180	11,263
First National Bank, Bridgeport, Ohio	Jan. 25, 1864	.....do.....	100,000	100,475	24,265	76,210
Vilas National Bank, Plattsburg, N. Y.	Mar. 15, 1864	.....do.....	100,000	27,267	8,480	18,787
First National Bank, Salem, Mass.	Apr. 30, 1864	.....do.....	300,000	54,312	17,365	36,947
First National Bank, Mount Gilead, Ohio	Feb. 16, 1864	.....do.....	50,000	14,742	3,025	11,717
Second National Bank, Norwich, Conn.	Feb. 1, 1864	.....do.....	200,000	53,418	18,235	35,183
Deposit National Bank, Deposit, N. Y.	July 1, 1864	.....do.....	100,000	28,351	9,155	19,196
First National Bank, Norwalk, Ohio.	Jan. 25, 1864	.....do.....	50,000	13,395	3,390	10,005
Second National Bank, Galesburg, Ill.	Aug. 5, 1864	.....do.....	100,000	27,306	5,030	22,276
First National Bank, Mount Pleasant, Ohio	Aug. 5, 1864	Feb. 24, 1903	175,000	51,446	11,874	39,572
Peoples National Bank, Barnesville, Ohio	Mar. 24, 1883	Feb. 26, 1903	100,000	96,545	21,900	74,645
Cleveland County National Bank, Norman, Okla.	Oct. 30, 1900	Feb. 28, 1903	25,000	10,000	2,680	7,320
Cambridge National Bank, East Cambridge, Mass.	June 1, 1864	Mar. 12, 1903	100,000	25,948	8,775	17,173

[a] Did not notify of liquidation until after October 31, 1902, and therefore did not appear in last report.

NATIONAL BANKS CLOSED TO BUSINESS, BY VOLUNTARY LIQUIDATION, DURING THE YEAR ENDED OCTOBER 31, 1903, ETC.—Continued.

Name and location of bank.	Date of authority to commence business.	Date of closing.	Capital stock.	Circulation.		
				Issued.	Redeemed.	Outstanding.
Central National Bank, Worcester, Mass.	June 2, 1864	Mar. 30, 1903	$300,000	$54,550	$13,985	$40,565
City National Bank, Worcester, Mass.	July 2, 1864	....do....	200,000	54,610	13,825	40,785
City National Bank, Mobile, Ala.	Sept. 5, 1899	Mar. 31, 1903	200,000	139,745	29,390	110,355
Citizens National Bank, Mexia, Tex.	Jan. 29, 1901	Apr. 6, 1903	50,000	12,000	2,950	9,050
Seventh National Bank, New York, N. Y.	Apr. 11, 1865	Apr. 9, 1903	2,500,000	550,581	130,993	419,588
National Broadway Bank, New York, N. Y.	Jan. 9, 1865	Apr. 21, 1903	1,000,000	526,177	241,953	284,224
West End National Bank, Washington, D. C.	Jan. 7, 1890	Apr. 23, 1903	200,000	50,000	14,505	35,495
City National Bank, Akron, Ohio	May 10, 1883	May 1, 1903	100,000	100,000	24,050	75,950
Pittsburgh National Bank of Commerce, Pittsburg, Pa.	Dec. 30, 1864	May 2, 1903	500,000	310,926	77,750	233,176
First National Bank of Jefferson, Charlestown, W. Va.	Sept. 1, 1871	May 7, 1903	50,000	38,800	9,300	29,500
Capital City National Bank, Atlanta, Ga.	July 9, 1900	May 16, 1903	250,000	49,100	11,200	37,900
Merchants' and Planters' National Bank, Montgomery, Ala.	Aug. 19, 1872	May 19, 1903	250,000	51,815	9,550	42,265
Lampasas National Bank, Lampasas, Tex.	Dec. 17, 1900	.....do.....	25,000	12,500	2,200	10,300
First National Bank, Tipton, Iowa	June 20, 1883	June 2, 1903	50,000	40,010	5,500	34,510
Commercial National Bank, Providence, R. I.	June 21, 1865	June 6, 1903	500,000	62,188	9,060	53,128
First National Bank, Wellsville, Ohio	Apr. 22, 1865	June 18, 1903	50,000	40,516	4,950	35,566
National Union Bank, Fall River, Mass	June 16, 1865	June 30, 1903	200,000	96,120	14,590	81,630
Massasoit National Bank, Fall River, Mass	Dec. 8, 1864	.....do.....	300,000	84,886	12,400	72,486
First National Bank, Westfield, N. J.	Apr. 2, 1892	.....do.....	50,000	17,500	4,550	12,950
Pocasset National Bank, Fall River, Mass	Dec. 31, 1864	.....do.....	200,000	146,063	28,453	117,610
Park National Bank, Cleveland, Ohio	June 21, 1895	July 1, 1903	650,000	492,900	51,200	441,700
Merchants' National Bank, Gardiner, Me.	July 11, 1884	.....do.....	50,000	12,500	1,800	10,700
Citizens' National Bank, Yonkers, N. Y.	Jan. 15, 1873	Aug. 1, 1903	100,000	52,692	11,150	41,542
First National Bank, Fayette City, Pa.	Dec. 18, 1900	.....do.....	50,000	24,250	3,200	21,050
Massachusetts National Bank, Boston, Mass.	Apr. 3, 1865	Aug. 5, 1903	800,000	59,443	6,050	53,393
First National Bank, Garrett, Ill.	Apr. 4, 1902	Aug. 6, 1903	25,000	15,000	950	14,050
Boston National Bank, Seattle, Wash.	Sept. 19, 1889	Aug. 8, 1903	180,000	48,900	3,550	45,350
Coal and Iron National Bank, Cleveland, Ohio	May 13, 1899	Aug. 15, 1903	1,000,000	348,750	29,950	318,800
First National Exchange Bank, Plymouth, Mich.	Nov. 14, 1891	Aug. 20, 1903	50,000	12,500	1,500	11,000
Citizens' National Bank, Shreveport, La.	Mar. 22, 1901	Aug. 31, 1903	100,000	25,000	2,250	22,750
Lime Rock National Bank, Rockland, Me.	Apr. 2, 1873	Sept. 1, 1903	105,000	72,113	4,500	67,613
First National Bank, Shamokin, Pa.	Sept. 12, 1883	Sept. 4, 1903	100,000	75,000	7,950	67,050
National Bank of the State of Florida, Jacksonville, Fla.	Mar. 30, 1885	Sept. 8, 1903	100,000	96,900	93,650	3,250
Meridian National Bank, Meridian, Miss.	May 6, 1884	Sept. 15, 1903	100,000	97,200	5,150	92,050
Western National Bank of the United States, New York, N. Y.	May 9, 1891	Oct. 5, 1903	12,500,000	1,460,000	.....	1,460,000
First National Bank, Worcester, Mass.	May 20, 1882	.....do.....	300,000	49,250	.....	49,250
Elwood City National Bank, Elwood City, Pa.	July 10, 1901	Oct. 24, 1903	75,000	19,000	.....	19,000
Total (72 banks)	.....	.....	30,720,000	8,250,694	1,835,627	6,415,067

NATIONAL BANKS PLACED IN CHARGE OF RECEIVERS DURING THE YEAR ENDED OCTOBER 31, 1903.

Name and location of bank.	Date of authority to commence business.	Date of closing.	Capital stock.	Circulation.		
				Issued.	Redeemed.	Outstanding.
Central National Bank, Boston, Mass.	Apr. 30, 1873	Nov. 13, 1902	$500,000	$401,133	$214,625	$186,508
National Bank of South Pennsylvania, Hyndman, Pa.	July 2, 1889	Dec. 16, 1902	50,000	12,500	5,140	7,360
First National Bank, Asbury Park, N. J.	Feb. 4, 1886	Feb. 13, 1903	100,000	25,000	11,370	13,630
First National Bank of Florida, Jacksonville, Fla.	Aug. 24, 1874	Mar. 14, 1903	50,000	51,530	14,860	36,670
Southport National Bank, Southport, Conn.	Dec. 29, 1864	May 19, 1903	100,000	100,000	29,065	70,935
Doylestown National Bank, Doylestown, Pa.[a]	Nov. 16, 1864	July 30, 1903	105,000	72,435	8,800	63,635
Navesink National Bank, Redbank, N. J.	Mar. 19, 1891	Aug. 14, 1903	50,000	12,500	3,250	9,250
Citizens' National Bank, Beaumont, Tex.	May 31, 1901	Aug. 20, 1903	100,000	25,000	2,350	22,650
Groesbeeck National Bank, Groesbeck, Tex.	Mar. 22, 1890	....do....	50,000	12,500	2,700	9,800
Packard National Bank, Greenfield, Mass.	May 17, 1875	Oct. 1, 1903	100,000	98,070	4,250	93,820
Bolivar National Bank, Bolivar, Pa.	Feb. 24, 1902	....do....	30,000	10,000	950	9,050
Federal National Bank, Pittsburg, Pa.[b]	Nov. 16, 1901	Oct. 21, 1903	2,000,000	696,500	6,000	690,500
First National Bank, Allegheny, Pa.[b]	Jan. 14, 1864	Oct. 22, 1903	350,000	99,100	.....	99,100
Total (13 banks)	.....	.....	3,585,000	1,616,268	303,360	1,312,908
Total liquidating and insolvent banks (85)	.....	.....	34,305,000	9,866,962	2,138,987	7,727,975

[a] Restored to solvency and resumed October 15, 1903.
[b] Authorized to resume business since October 31, 1903.

The foregoing list of liquidations includes 49 associations closed voluntarily by vote of shareholders and 23 by expiration of charters. Six of the associations placed in voluntary liquidation were succeeded by new associations with different titles; 20 were absorbed by other national banks, and 18 by State or private banks, leaving 5 closed presumably for the purpose of discontinuing business. Thirteen of the banks whose charters expired by limitation were organizations effected under the act of 1863, and 10 under the act of 1864. Fourteen of the banks whose corporate existence terminated by expiration of charter were succeeded by associations with different titles, organized, in the main, by the shareholders of the closed banks.

In connection with the general statistics relating to national-bank failures there appears in the appendix to the annual report of the Comptroller of the Currency a table in which is summarized, by States and geographical divisions, data relating to trusts the affairs of which have been finally closed.

The table shows that the affairs of 17 national banks which failed in the New England States were settled with an average loss to creditors of only 6.89 per cent. The liabilities, represented by claims proved, offsets allowed, and loans paid, aggregate $23,956,626.

The results of the liquidation of the affairs of 61 insolvent national banks which were located in the States of New York, New Jersey, Pennsylvania, and the District of Columbia evidence the settlement of claims aggregating $37,225,748, with an average loss of 24.07 per cent.

The settlement of receiverships terminated in the Southern States, numbering 61, was effected by payment to creditors on claims, etc., aggregating $19,505,630, of an average 67.62 per cent, the loss being 32.38 per cent.

The returns relative to banks closed in the Middle States—namely, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri—include 73 cases, the liabilities of the banks aggregating $28,027,358, which were settled with an average loss of 15.85 per cent.

Banks to the number of 85, which failed in the Dakotas, Nebraska, Kansas, Minnesota, Wyoming, Colorado, New Mexico, and Oklahoma, have been finally liquidated, creditors receiving an average of 72.47 per cent on claims aggregating $18,814,047, the average loss being 27.53 per cent.

The table in question includes 33 insolvent banks which were liquidated in the Pacific States, viz, Washington, Oregon, California, Idaho, Utah, and Nevada. The liabilities of these trusts aggregate $8,526,102, and were settled with an average loss of 30.85 per cent.

Including with claims proved the amount of offsets allowed and settled and loans paid, aggregating $136,055,511, of the 330 trusts finally liquidated, creditors sustained an average loss thereon of 21.45 per cent.

Classifying these closed trusts according to capital stock—those with capital of less than $100,000, with $100,000 and less than $200,000, and those with $200,000 and over—it is shown that banks in the first class paid dividends on claims proved at the average rate of 63 per cent, and that the assessment on stockholdings produced but 36 per cent of the amount of the assessment. The banks of the second class paid 67 per cent on dividends and 41 per cent on stock assessments, whereas banks with capital of $200,000 and over paid creditors 74 per cent on their claims, and the stockholders paid 51 per cent on the stock assessment. These figures evidence the fact that the larger the bank's capital the larger the percentage realized from assets and from assessments on stockholders in case of insolvency.

The capital of each class of banks, together with the amount of claims proved, dividends paid, assessment and collection from shareholders, and percentage of dividends, assessment, collection from assessment, and of amount collected to the aggregate capital, are shown in the accompanying table:

Class.	No.	Aggregate capital.	Claims proved.	Dividends paid.		Assessment on shareholders.		Collected on assessment.		
				Amount.	Per cent of claims.	Amount.	Per cent of capital.	Amount.	Per cent of assessment.	Per cent of total capital.
Capital less than $100,000	138	$7,329,000	$10,464,704	$6,610,693	63	$4,098,250	56	$1,524,591	37	20.8
$100,000, less than $200,000	102	11,205,620	17,486,091	11,691,142	67	6,325,720	56	2,612,042	41	23.3
$200,000 and over	90	33,261,300	73,774,075	54,240,307	74	20,402,050	61	10,332,942	51	31.0

EXPIRATION AND EXTENSION OF CORPORATE EXISTENCE OF NATIONAL-BANKING ASSOCIATIONS.

The act of February 25, 1863, provided in part that every association formed under the provisions of that act should have succession for the period limited by the articles of association, not, however, exceeding twenty years from the date of the passage of that act. When the national banking law was reenacted in the following year—June 3, 1864—the period of existence was definitely fixed at twenty years from the date of execution of the organization certificate.

Under date of July 12, 1882, in anticipation of the expiration of the corporate existence of national-banking associations, Congress provided for extension of charters for an additional period of twenty years. The act in effect permits the amendment of articles of association with respect to period of existence by the written consent of shareholders representing not less than two-thirds of the stock to be secured at any time within two years prior to the expiration of the charter of an association. The action of the Comptroller in considering an application for an extension is based on the general condition of a bank as shown from report of special examination required by law and made within a short time previous to expiration of charter.

Under the provisions of the act of July 12, 1882, and up to October 31, 1903, the corporate existence of 2,140 associations, with capital of $479,516,365, have been extended. The number of extensions under this act during the year ended October 31, 1903, was 164.

As the charters of associations which were extended under the act of July 12, 1882, reached the termination of their second corporate existence in 1902, provision was made by Congress in the act approved April 12, 1902, for reextension of charters of banks of that character, and during the year ended October 31, 1903, the charters of 228 associations were extended, and from the date of passage of the act to the close of the current report year there were 258 extensions, the capital of the banks being $68,065,300.

During the year ending October 31, 1904, the corporate existence of 121 associations, with aggregate capital of $13,840,000, will expire for the first time, and may be extended under the provisions of the act of July 12, 1882. During the same period 60 associations, with capital of $22,595,000, will reach the termination of their second period of corporate existence, extensions of which may be effected under the provisions of the act of April 12, 1902. Lists of both classes of banks, showing dates of expiration, will be found in Tables 15 and 16, respectively, of the appendix to the annual report of the Comptroller of the Currency.

CHANGES IN CAPITAL AND CIRCULATION WITH THE AMOUNT AND MARKET PRICE OF BONDS.

The number and authorized capital of national banks steadily increased during the year from 4,679 and $713,435,695, respectively, on October 31, 1902, to 5,147 and $766,367,095, respectively, on October 31, 1903, the increase in number of banks being 468 and in capital stock $52,931,400. At the beginning of the report year bonds to the amount of $338,452,670 were on deposit with the Treasurer as security for circulation, on which notes were issued to the amount of $335,783,189.

On December 31, 1902, bond deposits and circulation had increased to $344,252,120 and $342,127,844, respectively, but by March 31 the bonds had decreased to $342,160,770 and the circulation to $338,349,814. Refunding operations were resumed in April, and the bond deposit increased $10,535,350 during that month. In May the increase was $15,131,800; in June, $7,519,350; in July, $4,825,760, and in August $1,313,400. There was a slight decrease ($1,600), however, in September, but an increase of $1,242,000 in October, following the resumption of the refunding operations which began on September 24.

At the close of the year ended October 31, 1902, of bonds on deposit as security for circulation 95 per cent was in 2 per cent consols of 1930, and at the close of the year ended October 31, 1903, over 98 per cent of the total amount was of that class.

In the subjoined table relating to number and capital, bonds, and circulation, is incorporated the average monthly price of 2 per cent consols during the year. The highest average monthly market price of 2 per cent consols ruled in October, 1902, namely 110.0185. At the close of the calendar year the price was 106.6971; increased in January, 1903, to 109.2308, and thereafter steadily declined to 106.1875 on May 31. The price did not exceed 106 and a fraction until September, when it advanced to 109.1719, but again declined in October to 107.2685.

National bank circulation covered by bonds and by lawful money increased from $380,476,334 on October 31, 1902, to $419,610,683 on October 31, 1903. On an average about one-tenth of the total circulation outstanding is represented by notes of banks reducing their circulation, associations in voluntary liquidation, and those in charge of receivers and which are covered by deposits of lawful money.

The table referred to follows:

Date.	Number of banks.	Capital.	Bonds on deposit.	Average monthly market price of 2 per cent consols of 1930.	Circulation secured by—		Total circulation outstanding.
					Bonds.	Lawful money.	
1902.							
October 31	4,679	$713,435,695	$338,452,670	110.0185	$335,783,189	$44,693,145	$380,476,334
November 30	4,708	719,300,695	343,018,020	109.3179	341,100,411	43,754,103	384,854,514
December 31	4,758	723,416,695	344,252,120	108.6971	342,127,844	42,801,940	384,929,784
1903.							
January 31	4,784	726,271,695	342,903,520	109.2308	340,587,939	43,385,607	383,973,546
February 28	4,815	736,001,695	342,164,670	108.4405	338,660,361	44,138,484	382,798,845
March 31	4,869	739,178,695	342,160,770	107.8894	338,349,814	44,169,444	382,519,258
April 30	4,914	743,106,695	352,696,120	106.4973	347,564,355	43,587,373	391,151,728
May 31	4,953	748,531,695	367,827,920	106.1875	363,586,987	42,856,218	406,443,205
June 30	5,005	754,776,695	375,347,270	106.5216	372,295,408	41,375,242	413,670,650
July 31	5,044	758,137,095	380,173,030	106.7764	377,606,826	39,739,661	417,346,487
August 31	5,070	759,277,095	381,486,430	106.8654	380,076,322	38,511,653	418,587,975
September 30	5,096	761,417,095	381,484,830	109.1719	379,515,824	40,910,711	420,426,535
October 31	5,147	766,367,095	382,726,830	107.2685	380,650,821	38,959,862	419,610,683

PERCENTAGE OF CIRCULATION TO CAPITAL.

The capital, circulation outstanding, and relation of the latter to capital and to maximum amount of circulation issuable, respectively, as indicated, are shown in the following table:

Year.	Capital.[a]	Circulation.		Year.	Capital.[a]	Circulation.	
		Amount.	Per cent.[b]			Amount.	Percent.[b]
	Millions.	*Millions.*			*Millions.*	*Millions.*	
1863	$7.2			1884	$532.6	$332.5	69.37
1864	86.8	$58.8	67.74	1885	532.9	314.9	65.66
1865	393.2	204.6	52.03	1886	552.8	301.0	60.50
1866	415.5	293.1	70.54	1887	583.2	271.7	51.77
1867	420.1	299.1	71.19	1888	596.8	239.0	44.49
1868	420.6	300.1	71.35	1889	620.2	201.7	36.14
1869	426.4	299.7	70.29	1890	659.8	179.4	30.21
1870	430.4	301.9	70.14	1891	684.8	172.0	27.91
1871	458.3	324.5	70.80	1892	693.9	172.0	27.54
1872	479.6	341.0	71.10	1893	696.0	208.7	33.31
1873	491.1	348.3	70.92	1894	672.7	207.1	34.20
1874	493.8	348.8	70.63	1895	664.1	213.5	35.72
1875	511.6	343.2	67.08	1896	658.3	234.4	39.56
1876	502.8	319.9	63.62	1897	638.0	230.0	40.05
1877	486.7	315.9	64.90	1898	624.6	239.5	42.61
1878	473.9	319.6	67.44	1899	608.5	243.0	44.37
1879	462.4	335.1	72.47	1900	632.5	331.6	52.42
1880	466.6	342.0	73.30	1901	663.2	359.8	54.25
1881	466.3	358.9	76.96	1902	713.4	380.5	53.32
1882	491.6	361.0	81.60	1903	766.3	419.6	54.75
1883	516.6	350.8	75.48				

[a] Paid-in capital stock October 1, 1863, to 1874; authorized capital October 31, 1875, to 1903.
[b] Percentage of circulation to capital stock 1863 to 1881; to 90 per cent of capital 1882 to 1899, and to capital 1900 to 1903.

DISTRIBUTION OF NATIONAL BANK CIRCULATION IN RESERVE CITIES, STATES, TERRITORIES, AND GEOGRAPHICAL DIVISIONS IN RELATION TO CAPITAL STOCK.

The reports of condition, made to this office by national-banking associations in conformity with periodical calls, show in general the amount of national-bank notes in circulation in the principal political subdivisions of the country, but do not contain the information essential to a knowledge of the extent to which circulating notes are issued by banks of various classes in proportion to capital. From the records of this office on July 18, 1903, a table has been compiled showing the number and capital of national banks issuing circulating notes to the maximum—that is, the paid-in capital stock—to the extent of 75 per cent and less than 100 per cent of capital; 50 per cent and less than 75 per cent; 25 per cent and less than 50 per cent, and less than 25 per cent. The number of associations in existence on that date is shown to have been 5,020, with capital of $755,764,165 and circulation $378,014,135. Banks to the number of 1,492, with capital of $177,850,850, had outstanding the maximum amount of notes—that is, an equivalent of capital paid in—245 banks with capital of $66,681,810, circulation to the amount of $55,487,710, the issues in each case being 75 per cent or more, but less than 100 per cent, of the maximum issuable; 715 banks, with capital of $110,473,400, were of the class issuing notes to the extent of 50 per cent or more, but less than 75 per cent of their capital, the issues amounting to $62,190,000. Associations to the greatest number and with the largest amount of capital stock are in the class issuing notes to the extent of 25 per cent and over, but less than 50 per cent of their capital. Banks of this class numbered 2,335,

with capital of $199,491,045, and circulation of $58,066,475. There were 243 associations, with capital of $201,267,060, whose issues aggregated $24,419,100, in each instance the issues amounting to less than 25 per cent of the paid-in capital stock. Included in this latter class are 8 banks, with capital of $5,110,000, which have no circulating notes outstanding.

The outstanding circulation of the national banks located in the city of New York was $45,296,500, and their capital stock $100,200,000. The Chicago banks, with capital of $25,500,000, issued notes to the amount of $3,736,000, and St. Louis banks issued circulation to the amount of $11,345,640 on capital stock of $15,600,000. The aggregate capital and circulation of the banks in the three central reserve cities was $141,400,000 and $60,378,140, respectively. The capital of the banks in the other reserve cities aggregated $178,180,260, and their circulation $74,756,700. The banks located elsewhere than in reserve cities issue a larger proportion of circulation to capital stock than the other associations. The capital of the 4,676 country banks was $436,183,905, and their circulation $242,879,295, or about 55 per cent of the maximum, as against 42 per cent by the reserve city banks. Only 73 of the 354 reserve city banks have issued circulation to the maximum, whereas 1,419 of the 4,676 country banks are in that class.

The table referred to, and in which has been incorporated the population of each city, State, and geographical division, as shown by the census of 1900, follows:

NUMBER, CAPITAL, AND CIRCULATION OF NATIONAL BANKS IN EXISTENCE ON JULY 18, 1903, CLASSIFIED TO SHOW THE NUMBER AND CAPITAL OF ASSOCIATIONS ISSUING CIRCULATION: (1) TO THE MAXIMUM, PAR OF PAID-IN CAPITAL; (2) 75 PER CENT AND LESS THAN 100 PER CENT; (3) 50 PER CENT AND LESS THAN 75 PER CENT; (4) 25 PER CENT AND LESS THAN 50 PER CENT, AND (5) LESS THAN 25 PER CENT.

Banks in—	Population.	Number of banks.	Total capital.	Total circulation.	Class 1.		
					Number.	Capital.	Circulation.
CENTRAL RESERVE CITIES.							*100%*
New York City	2,270,620	43	$100,200,000	$45,296,500	7	$17,400,000	$17,400,000
Chicago	1,698,575	12	25,500,000	3,736,000			
St. Louis	575,238	7	15,600,000	11,345,640	1	1,000,000	1,000,000
Total	4,544,433	62	141,400,000	60,378,140	8	18,400,000	18,400,000
OTHER RESERVE CITIES.							
Boston	560,892	33	33,100,000	7,242,700	3	650,000	650,000
Albany	94,151	4	1,250,000	750,000	1	250,000	250,000
Brooklyn	1,166,582	5	1,352,000	642,000			
Philadelphia	1,293,697	34	21,905,000	11,894,500	8	3,175,000	3,175,000
Pittsburg	321,616	35	21,550,000	9,035,000	6	2,300,000	2,300,000
Baltimore	508,957	19	12,403,260	3,740,000	2	1,300,000	1,300,000
Washington	278,718	11	3,525,000	1,219,000	3	750,000	750,000
Savannah	54,244	2	750,000	300,000			
New Orleans	287,104	6	2,400,000	1,500,000	4	1,400,000	1,400,000
Louisville	204,731	8	4,645,000	2,900,000	3	950,000	950,000
Dallas	42,638	4	1,050,000	587,500	1	200,000	200,000
Houston	44,633	6	1,450,000	580,000	1	200,000	200,000
Cincinnati	325,902	13	10,260,000	5,022,000	3	2,700,000	2,700,000
Cleveland	381,768	14	12,400,000	4,300,000	3	1,250,000	1,250,000
Columbus	125,560	6	2,400,000	910,000			
Indianapolis	169,164	7	4,300,000	755,000			
Detroit	285,704	5	4,100,000	1,250,000			
Milwaukee	285,315	6	4,550,000	1,662,000	1	300,000	300,000
Des Moines	62,139	4	800,000	450,000	2	300,000	300,000
St. Paul	163,065	6	4,000,000	846,000			
Minneapolis	202,718	5	4,450,000	1,400,000	1	250,000	250,000
Kansas City, Kans	51,418	3	1,200,000	900,000	1	200,000	200,000
Kansas City, Mo	163,752	6	2,650,000	2,241,000	2	1,250,000	1,250,000

NUMBER, CAPITAL, AND CIRCULATION OF NATIONAL BANKS IN EXISTENCE ON JULY 18, 1903, CLASSIFIED TO SHOW THE NUMBER AND CAPITAL OF ASSOCIATIONS ISSUING CIRCULATION, ETC.—Continued.

Banks in—	Population.	Number of banks.	Total capital.	Total circulation.	Class 1.		
					Number.	Capital.	Circulation.
OTHER RESERVE CITIES—continued.							
							100%
St. Joseph	102,979	3	$550,000	$505,000	2	$350,000	$350,000
Lincoln	40,169	3	400,000	260,000	.....	.....	.....
Omaha	102,555	7	3,250,000	1,250,000	.....	.....	.....
Denver	133,859	5	2,500,000	2,250,000	4	2,200,000	2,200,000
Salt Lake City	53,531	4	1,100,000	1,050,000	3	1,000,000	1,000,000
San Francisco	342,782	7	7,500,000	4,975,000	2	3,200,000	3,200,000
Los Angeles	102,479	9	4,000,000	2,590,000	3	1,700,000	1,700,000
Portland, Oreg	90,426	3	1,050,000	1,050,000	3	1,050,000	1,050,000
Cedar Rapids	25,656	3	300,000	225,000	2	200,000	200,000
Dubuque	36,297	3	600,000	225,000	.....	.....	.....
Wichita	24,671	4	500,000	250,000	1	100,000	100,000
Total	8,129,872	292	178,180,260	74,756,700	65	27,225,000	27,225,000
Total all reserve cities.	12,674,305	354	319,580,260	135,134,840	73	45,625,000	45,625,000
STATES, ETC.							
Maine	694,466	86	10,496,000	5,817,850	32	3,675,000	3,675,000
New Hampshire	411,588	56	5,355,000	4,548,000	40	3,695,000	3,695,000
Vermont	343,641	48	6,460,000	4,687,500	21	3,060,000	3,060,000
Massachusetts	2,244,454	200	38,137,500	18,977,000	53	7,190,000	7,190,000
Rhode Island	428,556	35	11,305,250	4,527,000	6	1,920,000	1,920,000
Connecticut	908,420	81	20,082,070	10,296,450	27	5,430,850	5,430,850
Total New England States	5,031,125	506	91,835,820	48,853,800	179	24,970,850	24,970,850
New York	3,737,541	311	33,597,840	21,936,450	127	13,344,500	13,344,500
New Jersey	1,883,669	129	17,415,000	8,767,800	42	4,830,000	4,830,000
Pennsylvania	4,686,802	539	51,964,370	30,878,100	210	18,910,000	18,910,000
Delaware	184,735	23	2,218,975	948,500	7	455,000	455,000
Maryland	679,087	68	4,651,700	3,011,500	27	1,950,000	1,950,000
District of Columbia	.....	1	252,000	250,000	.....	.....	.....
Total Eastern States.	11,171,834	1,071	110,099,885	65,792,350	413	39,489,500	39,489,500
Virginia	1,854,184	83	8,270,000	6,040,400	28	3,240,000	3,240,000
West Virginia	958,800	66	5,416,000	3,456,450	30	2,516,000	2,516,000
North Carolina	1,893,810	42	3,610,000	2,062,250	12	1,025,000	1,025,000
South Carolina	1,340,316	20	2,798,000	1,588,750	5	1,000,000	1,000,000
Georgia	2,162,087	46	4,998,000	3,008,950	13	1,700,000	1,700,000
Florida	528,542	22	1,935,000	1,011,250	5	550,000	550,000
Alabama	1,828,697	41	4,275,000	2,631,100	13	1,410,000	1,410,000
Mississippi	1,551,270	21	2,260,000	1,311,250	8	800,000	800,000
Louisiana	1,094,521	26	1,820,000	992,750	6	600,000	600,000
Texas	2,961,439	356	26,030,000	9,359,260	42	2,690,000	2,690,000
Arkansas	1,311,564	14	1,350,000	435,250	2	150,000	150,000
Kentucky	1,942,443	93	9,010,900	6,035,350	41	3,925,000	3,925,000
Tennessee	2,020,616	60	7,345,000	3,811,000	17	2,210,000	2,210,000
Porto Rico	953,243	1	100,000	100,000	1	100,000	100,000
Total southern States.	22,401,532	891	79,217,900	41,844,010	223	21,916,000	21,916,000
Ohio	3,324,315	293	29,115,000	17,786,595	107	9,794,000	9,794,000
Indiana	2,347,298	151	13,720,000	7,830,900	46	4,470,000	4,470,000
Illinois	3,122,975	290	21,613,000	13,714,650	111	8,358,000	8,358,000
Michigan	2,135,278	83	8,460,000	5,607,360	27	3,320,000	3,320,000
Wisconsin	1,758,071	99	8,100,000	4,255,620	22	1,980,000	1,980,000
Minnesota	1,385,611	168	8,201,000	3,578,000	29	1,225,000	1,225,000
Iowa	2,153,417	240	14,700,000	8,689,550	74	4,870,000	4,870,000
Missouri	2,264,696	66	4,220,000	2,776,300	28	1,885,000	1,885,000
Total Middle States	18,471,661	1,390	108,129,000	64,238,975	444	35,902,000	35,902,000
North Dakota	319,146	70	2,745,000	1,080,700	7	350,000	350,000
South Dakota	401,570	57	2,270,000	992,300	10	460,000	460,000
Nebraska	923,576	124	6,590,000	3,204,160	27	1,510,000	1,510,000
Kansas	1,394,406	138	8,237,500	4,973,200	51	3,297,500	3,297,500
Montana	243,329	23	2,480,000	974,750	.....	.....	.....
Wyoming	92,531	16	985,000	449,500	2	150,000	150,000
Colorado	405,841	50	3,190,000	1,812,000	11	975,000	975,000
New Mexico	195,310	18	1,136,800	706,750	5	475,000	475,000
Oklahoma	398,331	82	2,900,000	1,263,300	14	525,000	525,000
Indian Territory	392,060	86	3,925,000	1,546,550	8	435,000	435,000
Total Western States.	4,766,100	664	34,459,300	17,003,210	135	8,177,500	8,177,500

NUMBER, CAPITAL, AND CIRCULATION OF NATIONAL BANKS IN EXISTENCE ON JULY 18, 1903, CLASSIFIED TO SHOW THE NUMBER AND CAPITAL OF ASSOCIATIONS ISSUING CIRCULATION, ETC.—Continued.

Banks in—	Population.	Number of banks.	Total capital.	Total circulation.	Class 1.		
					Number.	Capital.	Circulation.
STATES, ETC.—continued.							100%
Washington	518,103	35	$3,475,000	$1,631,300	4	$400,000	$400,000
Oregon	323,110	31	1,520,000	579,500	3	170,000	170,000
California	1,039,792	45	4,705,000	1,925,000	11	750,000	750,000
Idaho	161,772	19	875,000	324,650	2	100,000	100,000
Utah	223,218	9	605,000	292,500	3	150,000	150,000
Nevada	42,335	1	82,000	20,500			
Arizona	122,931	11	605,000	304,500	2	200,000	200,000
Alaska	63,592	1	50,000	12,500			
Hawaii	154,001	2	525,000	56,500			
Total Pacific States	2,648,854	154	12,442,000	5,146,950	25	1,770,000	1,770,000
Total States, etc	64,491,106	4,676	436,183,905	242,879,295	1,419	132,225,850	132,225,850
Total United States	77,165,411	5,020	755,764,165	378,014,135	1,492	177,850,850	177,850,850

Banks in—	Class 2.			Class 3.		
	Number.	Capital.	Circulation.	Number.	Capital.	Circulation.
CENTRAL RESERVE CITIES.			75+%			50+%
New York City	7	$17,900,000	$14,829,000	3	$8,000,000	$4,737,500
Chicago				1	500,000	250,000
St. Louis	1	7,000,000	6,500,000	3	6,000,000	3,250,000
Total	8	24,900,000	21,329,000	7	14,500,000	8,237,500
OTHER RESERVE CITIES.						
Boston	2	3,700,000	2,621,950	1	300,000	200,000
Albany	1	500,000	400,000			
Brooklyn	2	452,000	400,000			
Philadelphia	3	950,000	810,000	9	10,230,000	6,667,000
Pittsburg	1	800,000	600,000	7	6,500,000	3,500,000
Baltimore	1	500,000	400,000	2	1,900,000	1,040,000
Savannah	1	250,000	200,000			
Louisville	2	1,895,000	1,800,000			
Dallas				1	500,000	360,000
Houston				1	300,000	200,000
Cincinnati	1	500,000	390,000	2	1,200,000	732,000
Cleveland	1	500,000	450,000	4	3,050,000	1,300,000
Columbus	2	600,000	450,000			
Indianapolis	1	300,000	230,000	1	300,000	175,000
Detroit	1	1,000,000	750,000	1	500,000	350,000
Milwaukee	1	500,000	462,000	1	450,000	250,000
Des Moines				1	200,000	100,000
St. Paul				1	600,000	328,000
Kansas City, Kans				1	1,000,000	700,000
Kansas City, Mo	2	850,000	700,000	1	300,000	211,000
St. Joseph				1	200,000	155,000
Lincoln	1	200,000	150,000	2	200,000	110,000
Omaha	1	200,000	150,000	1	1,000,000	600,000
Salt Lake City				1	100,000	50,000
San Francisco	2	2,000,000	1,400,000			
Los Angeles	3	800,000	640,000			
Dubuque				1	200,000	100,000
Wichita				1	200,000	100,000
Total	29	16,497,000	13,003,950	41	29,230,000	17,168,000
Total all reserve cities	37	41,397,000	34,332,950	48	43,730,000	25,405,500
STATES, ETC.						
Maine	3	450,000	342,000	17	1,355,000	760,650
New Hampshire	4	360,000	281,000	5	650,000	377,000
Vermont	6	900,000	738,000	7	800,000	405,000
Massachusetts	16	3,120,000	2,540,000	38	7,190,000	4,140,000
Rhode Island	3	420,000	360,000	4	1,350,000	720,000
Connecticut	6	1,286,120	1,159,500	14	2,593,000	1,490,000
Total New England States	38	6,536,120	5,420,500	85	13,938,000	7,892,650

NUMBER, CAPITAL, AND CIRCULATION OF NATIONAL BANKS IN EXISTENCE ON JULY 18, 1903, CLASSIFIED TO SHOW THE NUMBER AND CAPITAL OF ASSOCIATIONS ISSUING CIRCULATION, ETC.—Continued.

Banks in—	Class 2.			Class 3.		
	Number.	Capital.	Circulation.	Number.	Capital.	Circulation.
STATES, ETC.—continued.						
			75+%			50+%
New York	16	$2,337,840	$2,008,150	57	$5,991,400	$3,460,600
New Jersey	6	910,000	780,000	22	2,310,000	1,208,000
Pennsylvania	27	2,700,150	2,205,500	76	7,295,000	4,085,450
Delaware	1	60,800	60,000	3	165,000	112,000
Maryland	4	400,000	312,500	8	500,000	271,000
District of Columbia	1	252,000	250,000			
Total Eastern States	55	6,660,790	5,616,150	166	16,261,400	9,137,050
Virginia	10	1,800,000	1,596,900	9	1,100,000	669,250
West Virginia	1	125,000	106,250	8	575,000	317,250
North Carolina	2	225,000	195,000	8	750,000	446,500
South Carolina				5	650,000	369,500
Georgia	1	100,000	80,000	4	900,000	500,000
Florida				4	350,000	202,500
Alabama	3	450,000	375,000	4	260,000	140,000
Mississippi				6	585,000	305,000
Louisiana	1	100,000	75,000	1	100,000	50,000
Texas	5	525,000	410,000	31	3,820,000	1,631,250
Kentucky	8	892,900	761,850	9	950,000	516,500
Tennessee	2	110,000	87,500	9	1,460,000	755,000
Total Southern States	33	4,327,900	3,687,500	98	11,500,000	5,902,750
Ohio	18	2,715,000	2,323,000	50	4,954,000	2,870,000
Indiana	7	405,000	350,000	26	2,205,000	1,278,750
Illinois	8	1,035,000	885,000	50	3,765,000	2,028,750
Michigan	5	500,000	406,060	14	2,000,000	1,143,300
Wisconsin	7	625,000	529,250	16	1,200,000	657,500
Minnesota	4	155,000	120,000	24	1,445,000	786,850
Iowa	9	475,000	378,750	45	3,140,000	1,708,800
Missouri	2	150,000	112,500	10	615,000	345,000
Total Middle States	60	6,060,000	5,104,560	235	19,324,000	10,818,950
North Dakota	2	90,000	75,000	4	130,000	71,500
South Dakota	1	25,000	20,000	2	75,000	40,000
Nebraska	1	50,000	37,500	20	1,110,000	595,750
Kansas	5	250,000	195,750	15	980,000	506,250
Montana	2	400,000	305,000	3	400,000	242,000
Wyoming	1	100,000	75,000	2	100,000	52,500
Colorado	3	300,000	230,000	7	400,000	212,500
New Mexico	1	50,000	37,500	2	100,000	50,000
Oklahoma	1	50,000	37,500	6	175,000	90,100
Indian Territory	2	160,000	130,000	3	250,000	125,000
Total Western States	19	1,475,000	1,143,250	64	3,720,000	1,985,600
Washington	2	150,000	112,800	9	1,225,000	647,500
Oregon	1	75,000	70,000	2	75,000	37,500
California				7	600,000	312,500
Utah				1	100,000	50,000
Total Pacific States	3	225,000	182,800	19	2,000,000	1,047,500
Total States, etc	208	25,284,810	21,154,760	667	66,743,400	36,784,500
Total United States	215	66,681,810	55,487,710	715	110,473,400	62,190,000

NUMBER, CAPITAL, AND CIRCULATION OF NATIONAL BANKS IN EXISTENCE ON JULY 18, 1903, CLASSIFIED TO SHOW THE NUMBER AND CAPITAL OF ASSOCIATIONS ISSUING CIRCULATION, ETC.—Continued.

Banks in—	Class 4.			Class 5.		
	Number.	Capital.	Circulation.	Number.	Capital.	Circulation.
CENTRAL RESERVE CITIES.			25+ %.			—25 %.
New York City	7	$4,550,000	$1,960,000	19	$52,350,000	$6,370,000
Chicago	2	4,000,000	1,000,000	9	21,100,000	2,486,000
St. Louis	2	1,600,000	595,640			
Total	11	10,150,000	3,555,640	28	73,450,000	8,856,000
OTHER RESERVE CITIES.						
Boston	4	6,200,000	1,975,750	23	22,250,000	1,795,000
Albany	1	200,000	50,000	1	300,000	50,000
Brooklyn	2	600,000	175,000	1	300,000	67,000
Philadelphia	6	2,200,000	842,500	8	5,350,000	400,000
Pittsburg	11	4,900,000	1,585,000	10	7,050,000	1,050,000
Baltimore	4	1,300,000	390,000	10	7,403,260	610,000
Washington	3	600,000	219,000	5	2,175,000	250,000
Savannah				1	500,000	100,000
New Orleans				2	1,000,000	100,000
Louisville				3	1,800,000	150,000
Dallas	2	350,000	87,500			
Houston	2	200,000	50,000	2	750,000	130,000
Cincinnati	4	1,850,000	500,000	3	3,950,000	700,000
Cleveland	1	600,000	150,000	5	7,000,000	1,150,000
Columbus	2	800,000	285,000	2	1,000,000	175,000
Indianapolis	1	200,000	50,000	4	3,500,000	300,000
Detroit	1	200,000	50,000	2	2,400,000	100,000
Milwaukee				3	3,300,000	650,000
Des Moines				1	300,000	50,000
St. Paul	3	1,400,000	418,000	2	2,000,000	100,000
Minneapolis	3	3,200,000	1,110,000	1	1,000,000	50,000
Kansas City, Mo.	1	250,000	80,000			
Omaha	2	900,000	350,000	3	1,150,000	150,000
Denver				1	300,000	50,000
San Francisco	1	300,000	75,000	2	2,000,000	300,000
Los Angeles	2	500,000	150,000	1	1,000,000	100,000
Cedar Rapids	1	100,000	25,000			
Dubuque	2	400,000	125,000			
Wichita	2	200,000	50,000			
Total	61	27,450,000	8,782,750	96	77,778,260	8,577,000
Total all reserve cities	72	37,600,000	12,338,390	124	151,228,260	17,433,000
STATES, ETC.						
Maine	30	2,716,000	769,200	4	2,300,000	271,000
New Hampshire	7	650,000	195,000			
Vermont	13	1,400,000	434,500	1	300,000	50,000
Massachusetts	73	12,797,500	3,910,000	20	7,840,000	1,197,000
Rhode Island	14	3,346,250	1,077,000	8	4,275,000	450,000
Connecticut	24	4,922,100	1,392,500	10	5,850,000	823,600
Total New England States	161	25,825,850	7,778,200	43	20,565,000	2,791,600
New York	104	9,650,300	2,809,700	7	2,273,800	313,500
New Jersey	53	4,765,000	1,374,800	6	4,600,000	575,000
Pennsylvania	212	17,759,220	4,968,650	14	5,300,000	708,500
Delaware	10	828,175	221,500	2	710,000	100,000
Maryland	28	1,741,700	478,000	1	60,000	
Total Eastern States	407	34,744,395	9,852,650	30	12,943,800	1,697,000
Virginia	35	1,730,000	484,250	1	400,000	50,000
West Virginia	26	1,700,000	466,950	1	500,000	50,000
North Carolina	18	1,085,000	295,750	2	525,000	100,000
South Carolina	9	648,000	169,250	1	500,000	50,000
Georgia	26	1,798,000	628,950	2	500,000	100,000
Florida	12	735,000	186,250	1	300,000	72,500
Alabama	21	2,155,000	706,100			
Mississippi	6	625,000	156,250	1	250,000	50,000
Louisiana	18	1,020,000	267,750			
Texas	270	16,395,000	4,228,010	8	2,600,000	400,000
Arkansas	11	900,000	235,250	1	300,000	50,000
Kentucky	33	2,683,000	732,000	2	580,000	100,000
Tennessee	30	2,315,000	658,500	2	1,250,000	100,000
Total Southern States	515	33,769,000	9,215,260	22	7,705,000	1,122,500

NUMBER, CAPITAL, AND CIRCULATION OF NATIONAL BANKS IN EXISTENCE ON JULY 18, 1903, CLASSIFIED TO SHOW THE NUMBER AND CAPITAL OF ASSOCIATIONS ISSUING CIRCULATION, ETC.—Continued.

Banks in—	Class 4.			Class 5.		
	Number.	Capital.	Circulation.	Number.	Capital.	Circulation.
STATES, ETC.—continued.			25+%			−25%
Ohio	112	$8,852,000	$2,484,595	6	$2,800,000	$315,000
Indiana	68	5,390,000	1,532,150	4	1,250,000	200,000
Illinois	119	7,930,000	2,332,900	2	525,000	110,000
Michigan	37	2,640,000	738,000			
Wisconsin	51	3,445,000	938,870	3	850,000	150,000
Minnesota	108	4,126,000	1,196,150	3	1,250,000	250,000
Iowa	112	6,215,000	1,732,000			
Missouri	26	1,570,000	433,800			
Total Middle States	633	40,168,000	11,388,465	18	6,675,000	1,025,000
North Dakota	57	2,175,000	584,200			
South Dakota	44	1,710,000	472,300			
Nebraska	75	3,620,000	1,010,910	1	300,000	50,000
Kansas	66	3,410,000	923,700	1	300,000	50,000
Montana	18	1,680,000	427,750			
Wyoming	11	635,000	172,000			
Colorado	29	1,515,000	394,500			
New Mexico	10	511,800	144,250			
Oklahoma	61	2,150,000	610,700			
Indian Territory	73	3,080,000	856,550			
Total Western States	444	20,486,800	5,596,860	2	600,000	100,000
Washington	19	1,450,000	421,000	1	250,000	50,000
Oregon	25	1,200,000	302,000			
California	25	2,555,000	712,500	2	800,000	150,000
Idaho	17	775,000	224,650			
Utah	6	355,000	92,500			
Nevada	1	82,000	20,500			
Arizona	9	405,000	104,500			
Alaska	1	50,000	12,500			
Hawaii	1	25,000	6,500	1	500,000	50,000
Total Pacific States	103	6,897,000	1,896,650	4	1,550,000	250,000
Total States, etc	2,263	161,891,045	45,728,085	119	50,038,800	6,986,100
Total United States	2,335	199,491,045	58,066,475	243	201,267,060	24,419,100

NATIONAL-BANK NOTES PRESENTED FOR REDEMPTION.

There is submitted in the table following a statement of the average amount of national-bank circulation outstanding in the fiscal years 1901, 1902, and 1903, together with the amount presented for redemption at the Treasury Department, showing, separately, notes fit for circulation which were redeemed and returned to the issuing banks, notes redeemed and destroyed for reissues, and the amount redeemed and destroyed without reissue.

The average amount of circulation in the year 1901 was $336,200,000. During that year notes to the amount of $147,400,000, or 43.8 per cent of the total issues, were presented for redemption. Under the provisions of section 3 of the act of June 20, 1874, when notes in good condition are redeemed by the Treasurer and the latter has been reimbursed, they are forwarded to the respective associations by which they were issued. Notes of this character to the amount of $57,600,000 were received by the Treasurer, representing 39.1 per cent of the total amount presented and 17.1 per cent of the total issues. Notes unfit for circulation were received, redeemed, and destroyed, for which new notes were issued to the amount of $71,400,000, which is 48.4 per cent of the total amount presented and 21.2 per cent of the total issues.

The redemptions without reissue aggregated $18,600,000, or 12.6 per cent of the amount presented and 5.5 per cent of the total issues.

In 1902 notes were presented for redemption to the amount of $171,800,000, or 48 per cent of the aggregate issues, namely, $357,900,000, of which 33.3 per cent, or $57,300,000, being in good condition, were redeemed and returned to the banks of issue. The redemptions and destructions for reissue amounted to $89,600,000, or 52.1 per cent of the amount presented and 25 per cent of the total issues. The redemptions during the year for which there were no reissues aggregated $20,000,000, which was 11.6 per cent of the amount presented and 5.6 per cent of the total issues.

The average amount of notes in circulation during the fiscal year 1903 was $378,400,000, and of the amount there was presented for redemption $196,400,000, or 51.9 per cent. Notes returned to the bank as fit for circulation amounted to $62,500,000, or 31.8 per cent of the amount presented for redemption and 16.5 per cent of the total issues. The redemptions and destructions of unfit notes for reissue aggregated $104,600,000, 53.2 per cent of the amount presented and 27.6 per cent of the total issues. The percentage of notes redeemed and destroyed without reissue was 6.9, the amount being $26,200,000.

An examination of this table is interesting in connection with calculations made by the Government actuary in 1886 and by this Bureau in 1898 of the life of national-bank notes. In 1886 the average life of notes of all denominations was calculated to be 4.9 years and in 1898 4.4 years. Confining the comparison to redemptions for reissue, it is shown that a trifle in excess of one-fifth of the issues of active banks were received for redemption, destruction, and reissue in 1901; in 1902, one-fourth, and in 1903, a trifle in excess of one-fourth, namely, 27.6 per cent. In other words, the life of notes of this character in 1901 was 4.7 years; in 1902, 4 years, and in 1903, 3.6 years, or an average for the 3 years of 4.1 years.

The table in question follows:

NATIONAL BANK CIRCULATION OUTSTANDING SECURED BY BONDS AND BY LAWFUL MONEY; AMOUNT PRESENTED AT THE TREASURY DEPARTMENT FOR REDEMPTION; REDEEMED AND RETURNED TO BANKS OF ISSUE; REDEEMED AND DESTROYED FOR REISSUE, AND AMOUNT REDEEMED AND DESTROYED WITHOUT ISSUE, TOGETHER WITH THE PERCENTAGE OF AMOUNTS PRESENTED FOR REDEMPTION TO TOTAL ISSUES AND PERCENTAGES OF AMOUNTS DISPOSED OF TO TOTAL AMOUNT PRESENTED FOR REDEMPTION.

[In millions of dollars.]

Year ended June 30—	Average amount outstanding.	Presented for redemption.		Returned to banks of issue.		
		Amount.	Per cent.	Amount.	Per cent of, presented.	Per cent of issues.
1901	$336.2	$147.4	43.8	$57.6	39.1	17.1
1902	357.9	171.8	48	57.3	33.3	16
1903	378.4	196.4	51.9	62.5	31.8	16.5

Year ended June 30—	Destroyed for reissue.			Destroyed without reissue.		
	Amount.	Per cent of, presented.	Per cent of issues.	Amount.	Per cent of, presented.	Per cent of issues.
1901	$71.4	48.4	21.2	$18.6	12.6	5.5
1902	89.6	52.1	25	20.0	11.6	5.6
1903	104.6	53.2	27.6	26.2	13.3	6.9

In connection with the foregoing it is interesting to note the changes in the class and amount of bonds on deposit with the Treasurer of the United States to secure national-bank circulation on March 13, 1900, the date prior to the act authorizing the incorporation of banks with minimum capital of $25,000 and reducing the semiannual duty on circulation secured by consols of 1930 to one-fourth of 1 per cent, and on October 31, 1900, 1901, 1902, and 1903, as set forth in the following table:

Class.	Mar. 13, 1900.	Oct. 31, 1900.	Oct. 31, 1901.	Oct. 31, 1902.	Oct. 31, 1903.
Loan of 1908–1918, 3 per cent	$56,164,820	$7,756,580	$3,983,780	$6,056,720	$1,797,580
Funded loan of 1907, 4 per cent	180,302,250	13,544,100	6,032,000	8,248,450	2,797,200
Loan of 1925, 4 per cent	14,697,850	7,503,350	2,911,100	2,208,600	1,410,100
Loan of 1904, 5 per cent	21,996,350	1,293,000	268,900	1,100,900	718,650
Funded loan of 1891, 2 per cent	20,490,150	1,019,950	12,500		
Consols of 1930, 2 per cent		270,006,600	316,625,650	320,738,000	376,003,300
Total	243,651,420	301,123,580	329,833,930	338,352,670	382,726,830

During the year ended October 31, 1903, circulating notes were issued to the amount of $187,249,260, classified as follows: Notes of the denomination of $5, $31,872,060; $10s, $82,553,040; $20s, $55,035,360; $50s, $5,929,600; $100s, $11,859,200. Notes of the denominations of $10s and $20s represent approximately 73 per cent; $5s, 15 per cent; $50s, 4 per cent; and $100s, 8 per cent of the year's issues.

The amount of each denomination of circulation outstanding at the close of the year, the amount previously issued, together with total redemptions, are shown in the following table:

Denominations.	Issued during the year.	Issued previous years.	Total issued to Oct. 31, 1903.	Total redeemed to Oct. 31, 1903.	Circulation outstanding Oct. 31, 1903.
Ones		$23,169,677	$23,169,677	$22,823,721.00	$345,956.00
Twos		15,495,038	15,495,038	15,329,078.00	165,960.00
Fives	$31,872,060	836,516,480	868,388,540	806,107,560.00	62,280,980.00
Tens	82,553,040	831,418,770	913,971,810	738,070,880.00	175,900,930.00
Twenties	55,035,360	534,035,360	589,070,720	459,117,980.00	129,952,740.00
Fifties	5,929,600	139,790,950	145,720,550	129,286,850.00	16,433,700.00
One hundreds	11,859,200	231,043,300	242,902,500	208,604,800.00	34,297,700.00
Five hundreds		11,947,000	11,947,000	11,853,000.00	94,000.00
One thousands		7,379,000	7,379,000	7,354,000.00	25,000.00
Total	187,249,260	2,630,795,575	2,818,044,835	2,398,547,869.00	419,496,966.00
Unredeemed fractions				−36,492.50	+36,492.50
Total				2,398,511,376.50	419,533,458.50

NOTE.—Circulation outstanding and issued by national gold banks, amounting to $77,225, not included in this table.

During the year ended October 31, 1903, national-bank notes to the amount of $220,283,487 were presented at the Treasury Department for redemption, of which about $74,000,000, being in "fit" condition for circulation, were redeemed and returned to the banks of issue, and the balance, approximately $148,000,000, redeemed and destroyed. Eighty per cent of the receipts for redemption came from the cities of New York, Boston, Chicago, Philadelphia, and St. Louis. The amount received from New York was $115,000,000, or about 50 per cent of the total receipts; $21,000,000 was received from Boston, $20,000,000 from Chicago, $15,000,000 from Philadelphia, and $10,000,000 from St. Louis. The aggregate cost of redemption of the notes presented for

that purpose during the year amounted to $174,477.62, or an average of $0.90262 per $1,000.

In addition to the expense for the redemption of their circulating notes the banks paid in semiannual duty on notes during the year ended June 30, 1903, the sum of $1,708,819.92; in fees for the examination of banks $324,598.97, and for plates for printing of circulation for new banks and those extending their charters, $94,800.

PROFIT ON NATIONAL-BANK CIRCULATION.

The question of profit on national-bank circulation is frequently submitted to this office in connection with the organization of national banks and the increase of circulation of existing associations. The Comptroller has had computed by the Actuary of the Treasury Department the profit on $100,000 of circulation based on the security of two per cent consols of 1930 at the average net price monthly for the year ended October 31, 1903. In the computation money is assumed to be worth 6 per cent, in consequence of which the gross receipts are uniform—$2,000 interest on the bonds and $6,000 on the circulation. Deductions are made covering the tax on notes at the rate of one-fourth of 1 per cent semiannually, cost of redemptions, plates, agents' fees, and the sinking fund. From the net receipts is deducted the interest on the cost of the bonds at 6 per cent, to show both the amount and rate per cent of profit monthly in excess of 6 per cent during the year. The frequent fluctuations in the market price of these securities cause the variations in the percentage of profit, which range from a minimum of 0.689 in January to a maximum of 0.935 in May. The various items entering into the computation are shown in detail in the appendix to this report and the salient features are incorporated in the appended table.

PROFIT ON $100,000 NATIONAL BANK CIRCULATION BASED ON A DEPOSIT OF A LIKE AMOUNT OF UNITED STATES CONSOLS OF 1930 AT THE AVERAGE NET PRICE, MONTHLY, OF BONDS DURING THE YEAR ENDED OCTOBER 31, 1903.

Date.	Cost of bonds.	Net receipts from interest on bonds at 2 per cent and on circulation at 6 per cent.	Interest on cost of bonds at 6 per cent.	Profit on circulation in excess of 6 per cent on the investment.	
				Amount.	Per cent.
1902.					
November	$109,071	$7,304.31	$6,544.26	$760.05	0.696
December	108,287	7,315.10	6,497.22	817.88	.755
1903.					
January	109,143	7,301.66	6,548.58	753.08	.689
February	108,193	7,315.06	6,491.58	823.48	.761
March	107,477	7,325.07	6,448.62	876.45	.815
April	106,417	7,340.46	6,385.02	955.44	.897
May	105,944	7,347.03	6,356.64	990.39	.935
June	106,108	7,343.98	6,366.48	977.50	.921
July	106,692	7,334.39	6,401.52	932.87	.874
August	106,615	7,334.95	6,396.90	938.05	.879
September	108,753	7,300.96	6,525.18	775.78	.713
October	107,186	7,324.70	6,431.16	893.54	.833

COMPARISON OF CIRCULATION WITH CAPITAL AND RESOURCES OF NATIONAL BANKS, AND ALSO WITH THE COUNTRY'S STOCK OF MONEY.

There will be found in the appendix to the annual report of the Comptroller of the Currency a table showing, at date of each report received from national banks, beginning October 5, 1864, and terminating September 9, 1903, the number, paid-in capital, outstanding circulation, and aggregate resources of national banking associations, together with the per cent of circulation to capital and the resources at each date and the per cent of circulation to the monetary stock on June 30 of each year.

The first abstract of reports is dated October 5, 1863, and included returns from 66 banks with capital of $7,100,000. One year later 508 banks with capital of $86,700,000 were in operation, and at the close of 1865 reports were received from 1,582 banks with capital of $403,300,000.

The number of banks did not reach 2,000 until October 2, 1874, nor did the capital exceed $500,000,000 until June 30, 1875. On December 17, 1875, the amount of reported capital was $505,400,000, but on October 2 of the following year dropped to $499,800,000, and steadily decreased thereafter to $454,000,000 on October 2, 1879. From that date there was gradual reaction, and on June 22, 1883, when there were in operation 2,417 banks, the capital amounted to $500,200,000. By July 12, 1889, the number and capital of banks reached 3,239 and $605,800,000, respectively. On May 4, 1893, there were in operation 3,830 banks, with capital of $688,700,000. This was the greatest number of banks in active operation at any date during the existence of the system prior to September 5, 1900. The act of March 14, 1900, resulted in gradual and material increase in number and capital of banks from 3,604 and $613,000,000, respectively, on February 13 of that year to 5,042 and $753,700,000, respectively, on September 9, 1903.

The banks aggregate resources reached the billion mark on July 3, 1865, amounting, approximately, to $1,126,400,000. On June 14, 1879, the resources reached $2,019,800,000, and on February 28, 1890, $3,003,300,000. There was an increase to $4,003,500,000 on September 20, 1898; to $5,048,100,000 on September 5, 1900; $6,008,700,000 on July 16, 1902, and $6,310,400,000, the highest point reached during the existence of the system, on September 9, 1903.

The act of 1864 limited the amount of issuable circulation to $300,000,000. By January, 1867, this amount had been practically reached and continued until the close of 1870, during which year an act was passed authorizing the addition of $54,000,000 to the aggregate amount theretofore authorized. There was a gradual but slight increase in circulation from the beginning of 1871 from $301,700,000 to $341,300,000 on December 26, 1873. This was the largest amount of outstanding circulation during the existence of the system prior to June 9, 1903.

The act of January 14, 1875, repealed the limit on the aggregate amount of circulating notes issuable, and the act of July 12, 1882, authorized the issue of circulating notes to the extent of 90 per cent of the par value of bonds deposited not exceeding 90 per cent of the paid-in capital stock. Notwithstanding the legislation of 1875 there was a gradual reduction in circulation from $324,500,000 on March 1 of that year to $290,000,000 on June 22, 1877. The volume showed

but slight variations from the latter date to June 14, 1879, but on December 12 of the latter year the issues had increased to $321,900,000, and on May 19, 1882, the date of the last report prior to the passage of the act of July 12, 1882, amounted to $315,600,000. There were but slight changes between that date and the close of 1883, but beginning with 1884, with slight exceptions, there was a gradual and rapid decrease to $122,900,000 on October 2, 1890. On September 25, 1891, the outstanding issues amounted to $131,300,000, and there was a gradual increase from that date to $210,600,000 on December 17, 1896.

This amount was not again exceeded until April 26, 1900. On that date the effect of the act of March 14, 1900, was noticeable, as the amount of circulation outstanding rose to $236,200,000. On February 5, 1901, the issues reached $309,400,000; on February 25, 1902, $314,400,000; at the close of 1902, $336,500,000, and on September 9, 1903, $375,000,000.

During the panic year of 1873, 11 national banks with capital of $3,550,000 failed and were placed in charge of receivers; but, by reason of organizations, there was no material change in the paid-in capital stock, the effect of conditions being shown in the aggregate resources of the banks, which decreased $109,800,000 between February 28 and December 26 of that year.

In the financial crisis of 1884 there was a loss to the system by failures of 13 banks with aggregate capital of $1,535,000, and a shrinkage in assets of nearly $100,000,000.

Notwithstanding a loss of 10 banks with capital of $1,025,000 by failures during the year 1890, when the financial stringency prevailed, there were increases both in number and capital of active associations, and no striking change in the volume of bank assets until December 19, when the returns showed a decline to $3,046,900,000 from $3,141,400,000 on October 2, the date of the prior report. By February 26, 1891, the assets had risen to $3,065,000,000, and on December 2, 1891, to $3,227,800,000.

The financial crisis of 1893 resulted in the suspension of business of a large number of banks, but in the actual failure of only 58 national banking associations, with total capital of $9,820,000. During that year the banks' assets reached their maximum on March 6, namely, $3,459,700,000, and decreased on October 3 to $3,109,500,000, a shrinkage of $350,200,000. By December 19 the resources had increased from the low-water mark to $3,242,300,000, or an increase over the October returns of about $132,000,000.

Conditions existing in 1896 resulted in the failure of 33 national banks, with total capital of $5,285,000. The net reduction in number of banks and capital, as shown by the returns on February 28 and December 17, was 38 and $6,800,000, respectively. During this year the volume of resources fluctuated from a maximum of $3,377,600,000 on May 7 to a minimum of $3,263,600,000 on October 6.

The table in question will be found of interest also, as it relates to the percentage of national-bank circulation to bank capital and assets and to money in the United States.

On October 3, 1864, the note issues amounted to 52.1 per cent of the paid-in capital stock, increased to 60.8 on April 2, 1866, and rose to 70.4 on January 6, 1868. From that date to March, 1884, the rate did not fall below 58.3, but varied between that percentage and 70.8, an average of about 68 per cent. From the beginning of 1884, the

rate steadily decreased from 57.9 to 18.4 on July 9, 1891. Thereafter there was a gradual increase to 33.4 on December 1, 1898, continuing without any material change until April, 1900, when the rate rose to 38.3. From that date to the close of 1903 (September 9), the rate varied from a minimum of 42.7 to a maximum of 49.8, the latter being the highest proportion of circulation to capital since the close of 1885.

The relation of circulation to aggregate assets of national banking associations varied from 20 per cent, approximately, during the first ten years of the existence of the national banking system to a minimum of 4 per cent in 1890. The highest rate since that time was 6.4 in October, 1896, and since that year has varied from a minimum of 4.2 to a maximum of 5.9.

The stock of specie and other currency of the country on June 30, 1863, was $674,800,000; in 1873, $774,400,000; in 1883, $1,472,400,000; in 1893, $1,738,800,000, and in 1903, $2,688,100,000. The percentage of national-bank circulation to money in the country ranged from 35.5 in 1866, when the outstanding circulation had nearly reached the legal limit, to a maximum of 43.7 in 1873; declined to 37.2 in 1876; rose to 38 in 1877, and thereafter steadily decreased to 7.3 in 1891. In 1892 the rate was 8.1; rose to 11 in 1896; declined to 9.1 in 1899; again increased to 12.8 in 1901; dropped to 12.1 in 1902, but rose to 12.9 at the close of June 1903, the highest rate since 1886, but less than at that date by 2.8 per cent.

MONEY IN THE BANKS OF THE COUNTRY.

Efforts to ascertain, in detail, information with respect to the amount and character of the money held by banks other than national have not been attended with entirely satisfactory results. In the report for 1902, in order to show as nearly as possible the amount of gold and silver in banks, the cash holdings of banks other than national, located in States not reporting the exact amount in detail, were estimated upon the basis of specie, etc., held by the national banks in such States. In the present compilation the cash holdings are classified exactly as reported to this office and necessarily show a reduction in the items gold and silver and a corresponding increase in unclassified cash. A summary of the returns is incorporated in the following table:

GOLD, ETC., HELD BY NATIONAL BANKS ON JUNE 9, 1903, AND BY OTHER BANKS AND BANKERS REPORTING TO THIS OFFICE ON OR ABOUT THE SAME DATE.

Classification.	National banks (4,939).	All other banks (8,745).	Total all banks (13,684).
Gold coin	$107,539,938	$31,387,320	$138,927,258
Gold Treasury certificates	104,561,520	a 33,001,187	137,562,707
United States certificates for gold deposited	28,505,000	.....	28,505,000
Gold clearing-house certificates	64,984,000	.....	64,984,000
Silver dollars	10,560,422	13,816,579	24,377,001
Silver, fractional	9,114,765	.....	9,114,765
Silver Treasury certificates	63,350,733	8,312,752	71,663,485
Legal tenders	163,592,829	72,422,740	236,015,569
National-bank notes	27,625,685	10,952,717	38,578,402
Fractional currency	1,611,235	.....	1,611,235
Specie, not classified	.....	1,424,290	1,424,290
Cash, not classified	.....	104,495,941	104,495,941
Total	581,446,127	275,813,526	857,259,653

a Includes $11,520,447 gold clearing-house certificates in State banks of New York.

DISTRIBUTION OF MONEY IN THE COUNTRY.

In the following table is shown in millions of dollars the amount of coin and other currency in the United States at the close of the fiscal year ended June 30, 1892 to 1903, inclusive; coin, etc., in Treasury as assets, amount in circulation and the latter divided, to show the amount in banks and elsewhere, with the percentage for each year in the Treasury, in banks, and in circulation; the per capita in circulation, exclusive of the amount held in the Treasury, and the amount in circulation, exclusive of the amount in Treasury and in the banks:

Year.	Coin and other money in the United States.	Coin, etc., in Treasury as assets.		Money in reporting banks.		Money not in Treasury or banks.			In circulation, exclusive of coin, etc., in Treasury as assets.	
		Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.	Per capita.	Amount.	Per capita.
	Millions.	*Millions.*		*Millions.*		*Millions.*			*Millions.*	
1892	$1,752.2	$150.9	8.60	$586.4	33.48	$1,014.9	57.92	$15.50	$1,601.3	$24.44
1893	1,738.8	142.1	8.17	515.9	29.68	1,080.8	62.15	16.14	1,596.7	23.85
1894	1,805.0	144.2	7.99	688.9	38.17	971.9	53.84	14.21	1,660.8	24.28
1895	1,819.3	217.4	11.95	631.1	34.69	970.8	53.36	13.89	1,601.9	22.93
1896	1,799.9	293.5	16.31	531.8	29.55	974.6	54.14	13.65	1,506.4	21.10
1897	1,905.9	265.7	13.95	628.2	32.96	1,012.0	53.09	13.87	1,640.2	22.49
1898	2,073.5	235.7	11.37	687.7	33.17	1,150.1	55.46	15.43	1,837.8	24.66
1899	2,190.0	286.0	13.06	723.2	33.02	1,180.8	53.92	15.51	1,904.0	25.01
1900	2,339.7	284.6	12.16	749.9	32.05	1,305.2	55.79	17.11	2,055.1	26.94
1901	2,483.1	307.8	12.39	[a]794.9	32.02	1,380.4	55.59	17.75	2,175.3	27.98
1902	2,563.2	313.9	12.24	[b]837.9	32.69	1,411.4	55.07	17.90	2,249.3	28.53
1903	2,684.7	317.0	11.80	[c]848.0	31.59	1,519.7	56.61	18.88	2,367.7	29.42

[a]$12,567,265, [b]$10,125,909, and [c]$9,240,801 in banks of island possessions not included in these returns.

Conditions existing in 1896, as will be seen by reference to the foregoing table, resulted in a loss of cash in banks of nearly $100,000,000 as compared with the holdings in 1895. In 1897, however, the amount held, $628,200,000, very nearly equaled the volume in banks in 1895. By 1902 there had been a gain over 1897 of nearly $210,000,000, and in 1903 a further gain of $10,000,000. The fluctuations in amount and per cent of money held by the banks, geographically considered, in the years 1896, 1897, 1902, and 1903 are interesting.

The following statement shows the amount and pro rata distribution of money in the banks of the country, by geographical divisions, for the years indicated:

Divisions.	1896.		1897.		1902.		1903.	
	Amount (millions).	Per cent.	Amount (millions).	Per cent.	Amount (millions).	Per cent.	Amount (millions).	Per cent.
New England States.	$51.3	9.65	$56.6	9.01	$66.6	7.95	$62.2	7.34
Eastern States	262.2	49.30	311.1	49.53	390.6	46.61	390.2	46.01
Southern States	36.9	6.94	40.6	6.46	57.4	6.85	59.8	7.05
Middle States	134.1	25.21	166.3	26.47	240.1	28.66	243	28.66
Western States	21	3.95	23.7	3.77	34.5	4.12	39.6	4.68
Pacific States	26.3	4.95	29.9	4.76	48.7	5.81	53.2	6.26
Total	531.8	100	628.2	100	837.9	100	848	100

STOCK OF MONEY OF THE WORLD.

The stock of money of the world, as shown by statistics compiled by the Mint Bureau, as of January 1, 1903, was $11,996,400,000, classified as follows: Gold, $5,382,600,000; silver, $3,680,300,000; uncovered paper currency, $2,933,500,000. The stock of the United States approximates one-fifth of the aggregate, amounting to $2,377,400,000, represented by $1,248,000,000 gold, $673,300,000 silver, and $456,100,000 uncovered paper currency. The per capita of gold in the world is $4.19, silver $2.86, and paper $2.28, and the aggregate per capita $9.33. The United States per capita of gold is $15.64, silver $8.44, paper $5.71, aggregate $29.79. With the exception of France, the Straits Settlements, and the South American States (excluding Bolivia and Colombia), the per capita of money in the United States exceeds all other countries, and its per capita of gold is the greatest with the following exceptions: France, $24.36; South African Republic, $24.33, and Australasia, $23.38. The Straits Settlements lead in the per capita of silver, namely, $47.45; France follows with $10.79, the Netherlands $10.68, Spain $9.34, and the United States with $8.44. The per capita of uncovered paper currency is the greatest, $27.90, in the South American States; second in order is Greece, $20.29, followed by Belgium, $16.16; Portugal, $11.67; Canada, $10.54, the per capita in the United States being $5.71.

In connection with the foregoing the appended table is of interest, relating to the growth by decades from 1800 to 1900 of population, money in the United States, the per capita in circulation, and the imports and exports, together with the wealth of the country from 1850 to 1900, and clearings for 1890, 1900, and 1903.

POPULATION, WEALTH, MONEY IN THE COUNTRY, PER CAPITA OF MONEY IN CIRCULATION, BANK CLEARINGS, IMPORTS, AND EXPORTS, BY DECADES.

[Population, etc., in millions and decimals.]

Year.	Population.	Wealth.	Money in United States.	Money in circulation per capita.	Bank clearings.	Imports.[a]	Exports.[a]
1800	5.3	.....	$28.0	$4.99	.....	$91.2	$70.9
1810	7.2	.....	58.0	7.60	.....	85.4	66.7
1820	9.6	.....	69.1	6.96	.....	74.4	69.6
1830	12.8	.....	93.1	6.69	.....	62.7	71.6
1840	17.0	.....	189.9	10.91	.....	98.2	123.6
1850	23.1	$7,135.7	285.3	12.02	.....	173.5	144.3
1860	31.4	16,159.6	442.1	13.85	.....	353.6	333.5
1870	38.5	30,068.5	722.8	17.50	.....	435.9	392.7
1880	50.1	42,642.0	1,185.5	19.41	.....	667.9	835.6
1890	62.6	65,037.0	1,685.1	22.82	$58,845.2	789.3	857.8
1900	76.3	[b] 94,300.0	2,339.7	26.94	84,582.4	849.9	1,394.4
1903	80.4	.....	2,684.7	29.42	114,068.8	1,025.7	1,420.1

[a] Statement of imports and exports includes bullion and specie prior to 1830; merchandise only since 1830.
[b] Estimated by Bureau of Statistics.

FOREIGN BANKS OF ISSUE, ETC.

In foreign publications containing data relating to banks of issue, and banks not issuing circulating notes, the principal items of resources and liabilities only are given. The consolidated statements appearing in the Bulletin de Statistique and L'Économiste Européen relate

exclusively to specie holdings, circulation outstanding, deposits and advances, or loans and discounts.

The following table is a combination of returns relating to the principal foreign banks of issue with other foreign banks, and is presumed to be comprehensive and accurate, so far as it relates to the items indicated:

CAPITAL, SPECIE, CIRCULATION, ETC., OF THE PRINCIPAL FOREIGN BANKS OF ISSUE ON OR ABOUT JUNE 30, 1903.

[Expressed in millions of dollars.]

European banks.*	Capital.	Gold.	Silver.	Total specie.	Circulation.	Deposits.	Advances.	Rate of discount.
								Per cent.
Bank of France	35.2	483.3	216.9	700.2	837.6	95.2	253.6	3
Imperial Bank of Germany	28.9	174.7	61.4	236.0	279.3	155.6	220.8	4
Banks of issse of Germany	15.8	11.2	4.0	15.3	34.9	23.9	47.3	.....
Bank of England	70.8	180.1	.....	180.1	145.7	235.9	181.0	3
Banks of Scotland	45.3	24.7	3.7	28.4	35.7	*a* 518.0	*a* 348.6	.....
Banks of Ireland	35.1	15.8	1.9	17.8	35.7	*a* 245.5	*a* 188.2	.....
Bank of Austria-Hungary	41.9	224.8	62.1	287.0	296.2	33.2	56.9	3½
National Bank of Belgium	9.6	16.8	4.6	21.4	117.9	9.8	107.3	3
National Bank of Bulgaria	1.8	2.3	2.1	4.4	5.6	13.9	7.9	8
National Bank of Denmark	6.8	20.5	.....	20.5	28.0	1.6	10.0	4½
Bank of Spain	28.9	70.3	100.0	170.2	314.8	120.2	197.4	4
National Bank of Greece	3.9	.2	.2	.4	25.7	16.0	8.5	6½
Bank of Netherlands	8.0	19.1	32.2	51.3	90.3	1.9	49.6	3½
Bank of Italy	28.9	73.1	13.9	87.1	144.8	35.1	63.9	5
Bank of Naples	11.6	16.0	2.7	18.7	50.8	12.2	24.1	5
Bank of Sicily		7.7	.4	8.1	11.4	6.6	8.1	5
Bank of Norway	3.5	6.8	.....	6.8	16.4	2.3	12.9	5
Bank of Portugal	14.6	5.2	7.7	12.9	74.7	1.9	24.9	5½
National Bank of Roumania	2.9	12.7	.8	13.5	30.1	.....	11.4	5
Imperial Bank of Russia	28.3	390.4	46.3	436.8	297.6	68.5	174.9	4½
Bank of Finland	1.9	4.0	.6	4.6	13.5	5.0	9.8	.....
National Bank of Servia	1.1	3.5	1.7	5.2	6.8	1.7	2.5	6
Royal Bank of Sweden	11.9	14.7	1.4	16.0	36.1	9.3	23.4	4½
Private banks of Sweden	20.7	.6	4.1	4.6	4.2	148.6	87.2	.....
Banks of issue of Switzerland	30.1	20.8	2.3	23.1	41.9	239.3	53.1	4
Total	487.5	1,799.3	571.0	2,370.4	2,975.7	2,001.2	2,173.3	.....
OTHER FOREIGN BANKS.								
England, joint stock and private banks of *d*	259.2	.....	.....	*e* 782.0	3.5	3,043.8	1,997.3	.....
Imperial Ottoman Bank *a*	24.0	.....	.....	10.0	5.4	49.8	28.2	.....
Bank of Algiers *b*	.....	.....	.....	7.3	18.9	5.0	13.5	.....
Bank of Japan	15.0	54.6	.....	54.6	115.4	9.8	40.7	.....
Banks of Mexico	100.1	.....	.....	60.8	92.3	152.3	201.9	.....
Banks of Canada	77.6	.....	.....	14.3	60.4	420.2	473.8	.....
Banks of Australasia	94.1	.....	.....	*c* 124.7	23.9	617.0	586.9	.....
Total	570.0	54.6	.....	1,053.7	319.8	4,297.9	3,342.3	.....
Grand total	1,057.5	1,853.9	571.0	3,424.2	3,295.5	6,299.1	5,515.7	.....

* Statement of European banks from "L'Économiste Européen," July 3, 1903, except deposits and advances of banks of Scotland and Ireland and the capital stock of the various banks.

a London Banking Almanac, 1901.

b Bulletin de Statistique.

c Includes specie, bullion, and cash balances.

d Includes Wales.

e Cash, money at call and short notice.

SAVINGS BANKS OF THE WORLD.

Through the aid of the Bureau of Statistics of the Department of Commerce and Labor information has been obtained with respect to the number of depositors and total deposits in foreign savings banks, both trustee and postal. In the table following will be found statistics covering the number of depositors and deposits, together with the average deposit account, average deposit per inhabitant, and rates of

interest allowed on savings accounts in countries relative to which returns of that character have been received.

To the statistics relating to foreign savings banks have been added the number of depositors and deposits in the savings banks of the United States, resulting in a total of savings depositors of 76,314,423 and in savings deposits of $9,900,749,029. The average per capita deposit in foreign savings banks is $100.54 and the deposit per inhabitant $10.43. The average account in the savings banks of the United States is $417.21 and the average per inhabitant $36.52.

NUMBER OF DEPOSITORS, AMOUNT OF DEPOSITS, AVERAGE DEPOSIT ACCOUNT, AVERAGE DEPOSIT PER INHABITANT AT THE END OF THE YEARS MENTIONED, AND RATES OF INTEREST ON DEPOSITS PAID BY POSTAL AND OTHER SAVINGS BANKS OF THE WORLD.

[From official sources.]

Country.	Period.	Number of depositors.	Total deposits.	Average deposit account.	Average deposit per inhabitant.	Rate of interest.	Population.
Russia (in Europe)	1903	4,517,342	$491,317,622	$108.76	$3.48	.....	141,000,000
Finland	1900	181,269	15,700,000	86.61	5.87	.....	2,673,000
Germany	1900	14,863,956	2,103,582,754	141.52	37.32	.....	56,367,178
Prussia[a]	1901	9,034,937	1,367,768,065	151.38	39.67	.....	34,472,509
Japan	1901–2	6,506,717	35,852,467	5.51	.80	4 to 9	[b] 44,805,937
Austria	1901–2	4,946,307	876,941,933	177.29	33.47	3½ to 4	[c] 26,204,047
Hungary	1900	[d] 1,202,889	283,995,000	236.09	14.85	.....	19,122,000
United Kingdom	1902	10,803,555	959,236,637	88.80	22.86	.....	[d] 41,961,212
France	1901	11,051,979	854,879,328	77.35	21.94	.....	38,961,945
Italy[e]	1901	6,021,662	431,764,353	71.70	13.30	.....	[f] 32,475,253
Belgium	1901	1,908,463	150,191,761	78.69	22.08	2½ to 4	6,800,000
Canada[g]	1902	211,762	58,438,188	27.60	10.88	.....	5,371,315
Holland	1900–1901	1,256,451	69,831,686	55.58	13.48	.....	[c] 5,179,128
Sweden	1901	1,865,596	143,418,740	76.87	27.71	.....	5,175,228
India[h]	1901	816,651	32,583,673	39.90	.14	.....	231,898,807
Australasia, including New Zealand	1901–2	1,252,219	195,273,475	155.94	42.26	.....	4,620,494
Denmark	1901	1,176,853	176,244,144	150.00	71.95	.....	2,449,540
Norway	1901	695,524	86,292,423	124.06	38.52	.....	2,240,032
Total	.....	69,279,195	6,965,544,184	100.54	10.43	.....	667,305,116
United States	1903	7,035,228	2,935,204,845	417.21	36.52	2.8 to 3.5	80,487,000
Grand total	.....	76,314,423	9,900,749,029	.....	.....	.....	.....

[a] Included with Germany.
[b] Year ended March 31.
[c] Population Dec. 31, 1900.
[d] Estimated population as per middle of 1902.
[e] Exclusive of cooperative savings banks and ordinary credit companies.
[f] Census Feb. 10, 1901.
[g] Post-office and Government savings banks only.
[h] Data for post-office savings banks only.

In the following table statistics are incorporated relating wholly to foreign postal savings banks which have been deducted from the foregoing table comprising returns from both trustee and postal savings institutions:

FOREIGN POSTAL SAVINGS BANK RETURNS.

[From official sources.]

Country.	Year.	Number of depositors.	Deposits.	Average deposit.
United Kingdom	1902	9,133,161	$703,720,660	$77.05
France[a]	1901	3,805,881	208,515,240	54.78
Italy	1902	4,854,519	156,248,204	32.19
Austria:				
Savings department	1902	1,610,530	32,870,084	20.40
Banking department	1902	51,853	52,344,476	1,009.48
Hungary:				
Savings department	1900	389,083	6,632,944	17.05
Banking department	1900	7,222	6,811,076	943.10
Australasia	1901	444,264	64,874,717	146.03
Belgium	1901	1,483,270	20,358,150	13.72
Canada	1902	162,761	42,320,209	260.01
Cape Colony	1901	82,753	12,218,628	147.65
British Guiana	1901	8,262	238,327	28.84
India	1901	816,651	32,583,673	39.90
Netherlands	1901	896,761	37,696,208	42.03
Sweden	1901	573,800	14,532,662	25.32
Russia	1903	1,212,608	79,420,210	65.56
Total	.....	25,533,379	1,471,385,468	57.63

[a] Data relating to the "Caisse Nationale d'épargne."

THE BANKING POWER OF THE WORLD.

The capital, surplus profits, deposits, and circulation of banks of the United States, characterized as the "Banking power," aggregate $13,310,405,650, in which is included that of national banks amounting to $4,993,046,686; reporting State banks and bankers, $7,662,433,013, and nonreporting banks, estimated, $654,925,951.

The banking power of foreign countries, based upon the most reliable data, is stated to be $18,088,000,000 and the aggregate power of the world $31,398,000,000. Comparing this estimate with Muihall's of 1890, it is shown that the banking power of the United States has increased since that date $8,160,000,000, or 158.4 per cent, the banking power of foreign countries $7,253,000,000, or 66.9 per cent, and the combined banking power of the world from $15,985,000,000 to $31,398,000,000, a total increase of $15,413,000,000, or 96.4 per cent. The subjoined tables give in detail the banking power of the United States, of foreign countries, and of the world, the latter being a comparative statement of conditions in 1890 and 1903:

BANKING POWER OF THE UNITED STATES.

	Number.	Capital.	Surplus etc.	Deposits.	Circulation.	Total.
National banks	4,939	$743,506,048	$542,183,537	$3,348,095,992	$359,261,109	$4,993,046,686
State, etc., banks	8,745	578,408,944	731,314,014	6,352,700,055	.....	7,662,433,013
Nonreporting banks	[a]4,546	152,403,520	.....	502,522,431	.....	654,925,951
Total	18,230	1,474,328,512	1,273,497,551	10,203,318,478	359,261,109	13,310,405,650

[a] Estimated.

BANKING POWER OF FOREIGN COUNTRIES.

[In millions of dollars.]

	Capital.	Surplus.	Circulation.	Deposits.	Total.
Principal European banks of issue	487.5	.....	2,975.7	2,001.2	5,464.4
Other foreign banks	570.0	.....	319.8	4,297.9	5,187.7
Surplus, etc. (estimated)	.....	470.4	.....	.....	470.4
Total	1,057.5	470.4	3,295.5	6,299.1	11,122.5
Foreign savings banks	.....	.....	.....	6,965.5	6,965.5
Total	1,057.5	470.4	3,295.5	13,264.6	18,088.0

WORLD'S BANKING POWER.

[In millions of dollars.]

	1890.	1903.	Increase.	
			Amount.	Per cent.
Banking power, United States	5,150	13,310	8,160	158.4
Banking power of foreign countries	10,835	18,088	7,253	66.9
Banking power of the world	15,985	31,398	15,413	96.4

STATE, SAVINGS, PRIVATE BANKS, LOAN AND TRUST COMPANIES.

As required by section 333 of the Revised Statutes of the United States, the Comptroller presents herewith detailed information relative to the condition of the banking institutions of the country, other than national, so far as obtained for the year ended June 30, 1903.

Through the cooperation of State officials charged with the supervision of banks chartered and operated under State laws, and by the very general compliance with the request for reports made to individual banks and bankers, the Comptroller is enabled to present a more comprehensive statement of the condition of institutions of this character than has ever before been compiled by this Bureau.

Abstracts of official reports showing the resources and liabilities of commercial or State banks have been obtained from the banking departments of the States, Territories, and island possessions, except from South Carolina, Alabama, Arkansas, Oregon, Alaska, and Hawaii, the data relating to banks located in the latter States having been compiled from reports furnished by the banks direct.

When the first attempt was made, in 1873, to comply with the provisions of the act of Congress relating to State-bank statistics, returns from only nine States could be obtained in response to the request of this office for information concerning this class of banks. At that period only a small number of the States had laws providing for the compilation and publication of data relating to banks incorporated under State laws. Now all of the States, with the exceptions noted, have banking departments or designated public officials charged with the duty of requiring reports from incorporated banks at stated periods. Abstracts of these reports made at close of business June 30, 1903, or for the nearest approximate date, upon compilation have been promptly furnished by such officials or facilities provided by them for the copying of the reports on file.

Circular letters from this Bureau requesting reports of condition as of June 30, 1903, were mailed early in June last to approximately 3,300 private banks and bankers in the various States and to 700 incorporated banks located in States where the laws do not require the submission or publication of reports. In response to these requests about 900 private banks and bankers sent reports of condition more or less complete, making, with the reports received from official sources, 33⅓ per cent of the private banks in existence, as shown by the most reliable data obtainable. Summarizing the returns, information has been obtained relative to the conditions of 8,745 incorporated and private banks and bankers, of which 5,962 are State banks, 531 loan and trust companies, 1,078 mutual and stock savings banks, and 1,174 private banks and bankers.

CONSOLIDATED RETURNS FROM STATE, SAVINGS, PRIVATE BANKS AND TRUST COMPANIES.

For purposes of comparison there is given herewith a table showing the principal items of resources and liabilities of banks other than national in the years 1898 to 1903, inclusive:

CONSOLIDATED RETURNS FROM STATE, SAVINGS, PRIVATE BANKS AND TRUST COMPANIES, 1898 TO 1903, INCLUSIVE.

Items.	1898.	1899.	1900.	1901.	1902.	1903.
Loans	$2,480,874,360	$2,659,940,630	$3,013,449,827	$3,444,377,672	$3,942,592,907	$4,296,675,586
Bonds	1,304,890,322	1,527,595,160	1,723,830,351	1,935,625,964	2,091,496,729	2,334,329,907
Cash	194,913,450	210,884,047	220,667,109	240,145,951	250,815,787	275,813,526
Capital	370,073,788	368,746,648	403,192,214	430,401,557	499,621,208	578,418,944
Surplus and undivided profits	399,706,497	418,798,087	490,654,957	538,866,278	614,509,805	731,314,014
Deposits	3,664,797,296	4,246,500,852	4,780,893,692	5,518,804,859	6,005,847,214	6,352,700,055
Resources	4,631,328,357	5,196,177,381	5,841,658,820	6,681,567,334	7,355,110,843	8,016,181,848

An analysis of the foregoing statement shows an increase in aggregate resources in 1903 over 1902 of about $661,000,000 and over 1898 of nearly $3,385,000,000. Loans and discounts amount to $4,296,675,586, a gain of more than $354,000,000 over the amount reported for 1902. A marked increase in the cash holdings during the past year is also exhibited in the statement, there being approximately $25,000,000 more money in the banks than was reported in 1902. Going back for a period of five years, it is of interest to note the gain in cash holdings over the prior year for each year since 1898. In approximate sums the increase in cash holdings of these banks was $15,970,000 in 1899 over 1898; $9,783,000, 1900 over 1899; $19,478,000, 1901 over 1900; $10,669,000, 1902 over 1901, and $24,997,000, 1903 over 1902. Capital stock increased from $499,621,208 in 1902 to $578,418,944 in 1903, a gain of $78,797,736 for the year and over $208,000,000 subsequent to 1898. Deposits increased during the year, approximately, $347,000,000 to $6,352,700,055, a sum greater by $611,000,000 than credited to depositors in all reporting banks—State and national—in 1898.

Capital stock of the 5,962 State banks is $302,264,497 and individual deposits $1,814,570,163. The number of banks of this character is 565 greater than reported in 1902. The cash holdings in this class of banks increased approximately during the year by $8,536,000 and aggregate assets by $182,000,000.

Reports of condition of 531 loan and trust companies were received for the current year, showing aggregate resources of $2,298,554,063, against 417 companies with aggregate resources of $1,983,214,707 reporting in 1902. Individual deposits in these institutions increased, approximately, $63,500,000 and cash holdings $17,000,000 over 1902.

Returns were obtained from 1,174 private banks and bankers with assets of $169,049,821. In 1902 reports were received from 1,039 banks of this character, whose assets were $169,364,435. While reports from a greater number of banks of this class were received than in 1902, meager returns from some States, notably New York, account for the decrease in the aggregate resources.

Savings-bank reports to the number of 1,078 have been received, of which 657 are from mutual institutions and 421 from stock savings banks, the latter being operated for the benefit of both shareholders and depositors. The aggregate resources of the latter class of banks are only about 11 per cent of the resources of all reporting institutions for savings. The mutual savings banks are all located in the New England and Eastern States, with the exception of 1 in West Virginia, 1 in Wisconsin, 4 in Ohio, 5 in Indiana, and 12 in Minnesota. The principal items of resources of savings banks, both mutual and stock, are as follows: Loans secured by real estate, $1,033,420,902; loans on other securities, $314,443,239; United States bonds, $13,206,494; State, county, and municipal bonds, $150,491,128; railroad bonds and stock, $279,685,569; bank stock, $31,995,519; other stock, bonds, etc., $976,164,734. Cash in bank is only $20,565 greater than the amount reported in 1902, being $30,897,903; but the cash to their credit with other banks is $123,704,192, being $2,307,221 more than shown by the reports of 1902.

The number of depositors in savings banks (exclusive of those in State banks of Illinois having savings departments) has increased since 1902 from 6,388,793 to 6,674,237 and the average deposit from $414.85 to $421.84. Including savings depositors in the Illinois State banks, the total number of depositors has increased from 6,666,672 in 1902 to 7,035,228 in 1903, and the average to each depositor, estimated to be $412.53 in 1902, to $417.21 this year. The aggregate deposits in savings institutions of the country in 1902 were $2,750,177,290, and for the current year $2,935,204,845, an increase of $185,027,555. The average sum, $380.74, to the credit of each depositor in the New England savings banks remains practically the same as in 1902, when it was $380.72. In the Eastern States the average deposit has increased to $437.99 from $428.46 in 1902. Pennsylvania and Maryland show the most marked increase, the average in the former State being estimated at $315.25, against $303.47 last year, and in the latter State $400.86 in 1903, against $345.52 in 1902.

In the following table is given a comparative statement of the number of depositors, amount of deposits, and average deposit account in the savings banks of the United States and geographical divisions for the years 1901–2 and 1902–3:

NUMBER OF SAVINGS DEPOSITORS, AGGREGATE SAVINGS DEPOSITS, AND AVERAGE AMOUNT DUE TO DEPOSITORS IN SAVINGS BANKS IN EACH STATE IN 1901–2 AND 1902–3.

States, etc.	1901–2 (1,036 banks).			1902–3 (1,078 banks).		
	Number of depositors.	Amount of deposits.	Average to each depositor.	Number of depositors.	Amount of deposits.	Average to each depositor.
Maine	193,005	$72,082,694	$373.47	208,141	$74,781,073	$359.28
New Hampshire	147,928	60,249,862	407.29	155,309	63,919,183	411.56
Vermont	128,529	41,987,497	326.68	134,323	44,628,150	332.24
Massachusetts	1,593,640	560,705,752	351.84	1,660,814	586,937,084	353.40
Rhode Island	138,366	71,900,541	519.64	150,342	74,534,628	495.77
Connecticut	425,588	193,248,909	454.07	444,407	203,522,226	457.96
Total New England States	2,627,056	1,000,175,255	380.72	2,753,336	1,048,322,344	380.74
New York	2,229,661	1,051,089,186	471.68	2,327,812	1,112,418,552	477.88
New Jersey	227,130	69,866,709	307.60	238,210	73,722,729	309.48
Pennsylvania	396,877	120,441,275	303.47	407,652	128,514,295	315.25
Delaware	4,187	1,265,586	302.26	[a] 21,792	6,586,851	302.26
Maryland	186,293	64,367,767	345.52	155,299	62,253,508	400.86
District of Columbia	10,845	1,309,555	120.75	11,758	1,654,715	140.73
Total Eastern States	3,054,993	1,308,940,078	428.46	3,162,523	1,385,150,650	437.99
West Virginia	4,687	680,372	145.16	4,853	836,358	172.33
North Carolina	12,201	2,451,838	200.95	[b] 17,721	3,282,164	185.21
Total Southern States	16,888	3,132,210	185.47	22,574	4,118,522	182.44
Ohio	103,405	48,180,438	465.94	108,854	52,306,123	480.51
Indiana	24,362	7,288,506	299.17	24,733	8,072,500	326.38
Illinois	[b] 277,879	[c] 100,072,804	360.13	[b] 360,991	[c] 119,721,739	331.64
Wisconsin	3,908	719,009	183.98	4,290	810,533	188.93
Minnesota	63,293	15,526,701	245.31	69,763	18,624,663	266.97
Iowa	[a] 238,421	85,703,614	359.46	[a] 240,063	86,602,757	360.75
Total Middle States	711,268	257,491,072	362.02	808,694	286,138,317	353.83
California, total Pacific States	[a] 256,467	180,438,675	703.55	[a] 288,101	211,475,012	734.03
Total United States	6,666,672	2,750,177,290	412.54	7,035,228	2,935,204,845	417.21

[a] Estimated.
[b] Partially estimated.
[c] Savings deposits in State institutions having savings departments; abstract of reports included with State banks.

From an examination of the returns submitted with respect to the rate of interest paid on savings accounts, it will be noted that the maximum rate of interest is 4 per cent and the minimum rate 2½ per cent. The estimated average rate is 3½ per cent, a slight decrease from the estimated average interest rate in 1902.

The following table shows the rate paid in each State by savings banks located therein:

States, etc.	Rate per cent.	States, etc.	Rate per cent.
Maine[a]	3.24	Maryland—Continued.	
New Hampshire[a]	3.20	9 paid	3
Vermont[a]	3.375	District of Columbia[c]	2.80
Massachusetts[a b]	3.71	West Virginia[c]	4
Rhode Island[a]	3.88	North Carolina[c]	3.25
Connecticut[a]	3.76	Ohio[c]	3.60
New York[a]	3.23	Indiana: [b]	
New Jersey[a]	2.90	4 paid	4
Delaware: [c]		1 paid	3
1 paid	4	Illinois[d]	2.83
Maryland: [c]		Wisconsin[a]	3.50
3 paid	4	Utah:	
2 paid	3.50	2 paid	3
2 paid	3.25		

[a] From official reports.
[b] 1902.
[c] Unofficial.
[d] Average rate paid by 58 banks.

The growth of savings banks by five-year periods from 1820 to 1845, and annually since that date, is shown in the accompanying table. In 1866 the number of depositors in institutions of this character reached 1,000,000 and the deposits $282,455,794, the average account being $264.70. In 1870 the number of depositors had increased to 1,630,846, the amount of deposits $549,874,358, and the average account $337.17. By 1880 the deposits reached $819,106,973 and the number of depositors 2,335,582, and average account $350.71. The amount to the credit of savings deposits in 1890 was $1,524,844,506, the number of depositors 4,258,893, and the average deposit account $358.03. The number of depositors in 1900 was 6,107,083, the average deposit $401.10, and the total amount to the credit of depositors $2,449,547,885. The amount to the credit of savings-bank depositors in 1903 was greater than the entire stock of money in the country, amounting to $2,935,204,845, to the credit of 7,035,228 depositors. The average account was $417.21, and the average per capita to population of the country $36.52.

The table in question follows:

NUMBER OF SAVINGS BANKS IN THE UNITED STATES, NUMBER OF DEPOSITORS, AMOUNT OF SAVINGS DEPOSITS, AVERAGE AMOUNT DUE EACH DEPOSITOR IN THE YEARS 1820, 1825, 1830, 1835, 1840, AND 1845 TO 1903, AND AVERAGE PER CAPITA IN THE UNITED STATES IN THE YEARS GIVEN.

Year.	Number of banks.	Number of depositors.	Deposits.	Average due each depositor.	Average per capita in the United States.
1820	10	8,635	$1,138,576	$131.86	$0.12
1825	15	16,931	2,537,082	149.84	.....
1830	36	38,035	6,973,304	183.09	.54
1835	52	60,058	10,613,726	176.72	.....
1840	61	78,701	14,051,520	178.54	.82
1845	70	145,206	24,506,677	168.77	.....
1846	74	158,709	27,374,325	172.48	.....
1847	76	187,739	31,627,479	168.46	.....
1848	83	199,764	33,087,488	165.63	.....
1849	90	217,318	36,073,924	165.99	.....
1850	108	251,354	43,431,130	172.78	1.87
1851	128	277,148	50,457,913	182.06	.....
1852	141	308,863	59,467,453	192.54	.....
1853	159	365,538	72,313,696	197.82	.....
1854	190	396,173	77,823,906	196.44	.....
1855	215	431,602	84,290,076	195.29	.....
1856	222	487,986	95,598,230	195.90	.....
1857	231	490,428	98,512,968	200.87	.....
1858	245	538,840	108,438,287	201.24	.....
1859	259	622,556	128,657,901	206.66	.....
1860	278	693,870	149,277,504	215.13	4.75
1861	285	694,487	146,729,882	211.27	.....
1862	289	787,943	169,434,540	215.03	.....
1863	293	887,096	206,235,202	232.48	.....
1864	305	976,025	236,280,401	242.08	.....
1865	317	980,844	242,619,382	247.35	.....
1866	336	1,067,061	282,455,794	264.70	.....
1867	371	1,188,202	337,009,452	283.63	.....
1868	406	1,310,144	392,781,813	299.80	.....
1869	476	1,466,684	457,675,050	312.04	.....
1870	517	1,630,846	549,874,358	337.17	14.26
1871	577	1,902,047	650,745,442	342.13	.....
1872	647	1,992,925	735,046,805	368.82	.....
1873	669	2,185,832	802,363,609	367.07	.....
1874	693	2,293,401	864,556,902	376.98	.....
1875	771	2,359,864	924,037,304	391.56	.....
1876	781	2,368,630	941,350,255	397.42	.....
1877	675	2,395,314	866,218,306	361.63	.....
1878	663	2,400,785	879,897,425	366.50	.....
1879	639	2,268,707	802,490,298	353.72	.....
1880	629	2,335,582	819,106,973	350.71	16.33
1881	629	2,528,749	891,961,142	352.73	.....
1882	629	2,710,354	966,797,081	356.70	.....
1883	630	2,876,438	1,024,856,787	356.29	.....

NUMBER OF SAVINGS BANKS IN THE UNITED STATES, NUMBER OF DEPOSITORS, AMOUNT OF SAVINGS DEPOSITS, ETC.—Continued.

Year.	Number of banks.	Number of depositors.	Deposits.	Average due each depositor.	Average per capita in the United States.
1884	636	$3,015,151	$1,073,294,955	$355.96	.....
1885	646	3,071,495	1,095,172,147	356.56	.....
1886	638	3,158,950	1,141,530,578	361.36	.....
1887	684	3,418,013	1,235,247,371	361.39	.....
1888	801	3,838,291	1,364,196,550	355.41	.....
1889	849	4,021,523	1,425,230,349	354.40	.....
1890	921	4,258,893	1,524,844,506	358.03	$24.35
1891	1,011	4,533,217	1,623,079,749	358.04	25.29
1892	1,059	4,781,605	1,712,769,026	358.20	26.11
1893	1,030	4,830,599	1,785,150,957	369.55	26.63
1894	1,024	4,777,687	1,747,961,280	365.86	25.53
1895	1,017	4,875,519	1,810,597,023	371.36	25.88
1896	988	5,065,494	1,907,156,277	376.50	26.68
1897	980	5,201,132	1,939,376,035	372.88	26.56
1898	979	5,385,746	2,065,631,298	383.54	27.67
1899	987	5,687,818	2,230,366,954	392.13	29.24
1900	1,002	6,107,083	2,449,547,885	401.10	31.78
1901	1,007	6,358,723	2,597,094,580	408.30	33.45
1902	1,036	6,666,672	2,750,177,290	412.53	34.89
1903	1,078	7,035,228	2,935,204,845	417.21	36.52

From the most reliable records at command it appears that there are in existence in the country about 18,000 banks and banking institutions, including private bankers. In addition to returns from national banking associations reports have been received from 8,745 State and private banks, making the total number reporting 13,684. The aggregate capital of reporting banks is shown to be $1,321,924,992; deposits, $9,700,796,047, and aggregate resources, $14,303,116,954.

The principal items of resources and liabilities of national banks on June 9, and of all other banks and banking institutions on or about June 30, 1903, are incorporated in the following table:

	4,939 national banks.	8,745 other banks.	13,684 banks.
Loans	$3,442,304,495	$4,296,675,586	$7,738,980,081
United States bonds	527,101,439	18,638,342	545,739,781
Other bonds	538,671,472	2,315,691,565	2,854,363,037
Cash	581,446,127	275,813,526	857,259,653
Capital	743,506,048	578,418,944	1,321,924,992
Surplus and profits	542,183,537	731,314,014	1,273,497,551
Deposits	3,348,095,992	6,352,700,055	9,700,796,047
Aggregate resources	6,286,935,106	8,016,181,848	14,303,116,954

Inquiries addressed to State officials requesting reports of resources and liabilities of the banks called also for information as to the number and capital of banks of various character organized in each State during the year ended June 30, 1903. While the returns do not cover the total number of organizations in every State, they are complete and official with respect to the States from which information was received. A summary of the returns is incorporated in the appendix to the annual report of the Comptroller of the Currency, and shows the organization of 754 banks, with capital stock of $35,073,517, of which 611, with capital of $19,844,898, were incorporated commercial banks; 110, with capital of $14,912,504, loan and trust companies; 7, with capital of $172,000, savings institutions, and 26 private banks, with capital of $144,115.

There will be found in Table XI, in the appendix to the annual report of the Comptroller of the Currency, the capital, the amount and average rate per cent of dividends paid by State and private banks and by loan and trust companies, submitting information of that character, for the year ended on or about June 30, 1903. Reports covering the subject were received from 2,894 State banks, with capital of $140,412,289, showing the payment of dividends to the amount of $12,526,819, or an average of 8.95 per cent; from 395 loan and trust companies, with capital of $174,240,937, which paid dividends to the amount of $17,045,214, or 9.78 per cent; and from 400 private banks and bankers, with capital of $8,620,494, reporting dividends paid to the amount of $1,084,274, an average rate of 12.57 per cent. The average dividend paid by State banks remains practically the same as reported in 1902, while that paid by loan and trust companies shows an increase of nearly 1 per cent. The statement in respect to dividends paid by private banks and bankers contains the first reliable data of the kind obtained by this bureau in regard to that class of banks.

GROWTH OF BANKING IN THE UNITED STATES.

In 1882 there were in operation 2,239 national banking associations, with capital of $477,200,000 and deposits of $1,131,700,000; and also, as shown by reports to this office, 5,063 incorporated State and private banks, with capital and deposits of $234,900,000 and $1,718,700,000, respectively, or an aggregate of 7,302 banks and banking institutions, with capital of $712,100,000 and deposits of $2,850,400,000.

From returns made to this office on or about June 30, 1903, it is shown that the number of national banks has increased since 1882 to 4,939, with capital of $743,506,048 and deposits of $3,348,095,992. The number of State and private banks in existence in 1903 was 13,291, with capital of $730,822,464 and deposits of $6,855,222,486. The total number of national, State, and private banks is shown to be 18,230, the capital $1,474,328,512, and the deposits $10,203,318,478.

As will be observed from the accompanying table, the increase in number of national banks from 1882 to 1903 was over 120 per cent, and that of banks other than national over 162 per cent. In 1882 national-bank capital represented 67.01 per cent and the deposits 39.7 per cent of the aggregate capital and deposits of all reporting banks and banking institutions. The percentage of both capital and deposits of national banks shows a gradual reduction from that date to 1903 to 50.43 per cent and 32.81 per cent, respectively. Within the period in question the capital of national, State, and private banks was practically doubled and the deposits nearly quadrupled.

Comparing the number of banks, capital, and deposits with the population of the United States, it appears that in 1882 there was one bank for every 7,190 inhabitants, the capital amounting to $13.60 per inhabitant and the deposits $54.30. In 1892 there was one bank for every 7,016 inhabitants, the per capita of capital and deposits being $16.40 and $71.40, respectively. The greater increase in number of banks as compared with population in 1902 resulted in one bank for every 4,897 of population, the per capita of capital and deposits having increased to $16.90 and $122.70, respectively. In 1903 there was in active operation, as shown by reports filed in this office, one bank for every 4,410 of population, the per capita of capital being $18.30 and of deposits $126.90.

In the following table is incorporated the number of reporting banks, together with capital, deposits, and percentage of capital and deposits for the years indicated:

Banks.	Number.	Capital.		Deposits.	
		Amount.	Per cent.	Amount.	Per cent.
1882.					
National	2,239	$477,200,000	67.01	$1,131,700,000	39.7
State, etc	5,063	234,900,000	32.99	1,718,700,000	60.3
Total	7,302	712,100,000	100.00	2,850,400,000	100.00
1892.					
National	3,759	684,678,203	63.9	1,767,519,745	37.8
State, etc	5,579	386,394,845	36.1	2,911,594,571	62.2
Total	9,338	1,071,073,048	100.00	4,679,114,316	100.00
1902.					
National	4,535	701,990,554	52.4	3,222,841,898	33.2
State, etc	7,889	499,621,208	47.6	6,005,847,214	66.8
Reporting for tax only	3,732	138,548,654		478,592,792	
Total	16,156	1,340,160,416	100.00	9,707,281,904	100.00
1903.					
National	4,939	743,506,048	50.43	3,348,095,992	32.81
State, etc	8,745	578,118,944	49.57	6,352,700,055	67.19
Nonreporting	4,546	152,403,520		502,522,431	
Total	18,230	1,474,328,512	100.00	10,203,318,478	100.00

FAILURES OF STATE BANKS.

The managing editor of Bradstreet's has courteously furnished information obtained by the Bradstreet Agency relating to incorporated and private banks which failed during the year 1903, accompanied by a statement of the total liabilities and assets. The number of failures was 26; the assets of the banks being $2,166,852, and the liabilities $4,005,643. Included in the number of failures were 6 State banks, 1 savings bank, 2 trust companies, and 17 private banks.

In 1896, through the instrumentality of the corps of national bank examiners and from receivers, assignees, and court officials, information was obtained with respect to the number of insolvent banks other than national, with their assets and liabilities at date of failure and also dividends paid on claims. The inquiry covered the period beginning with 1866 and terminating in 1896. A compilation of the returns appears in the following table, from which it will be observed that there were 1,234 failures of banks with aggregate capital of $53,632,259; nominal assets at date of failure, $214,312,190.58; and liabilities of $220,629,998.27, on which dividends were paid to the amount of $100,088,726.95, an average rate of about 45 per cent. To the statistics covering the period in question have been added data furnished to this Bureau by the Bradstreet agency annually from 1897 to 1903, inclusive. As will be observed the information covering this latter period relates exclusively to the number of failures, the nominal assets, and the liabilities. No information is at command with respect to the settlement of the affairs of State banks which failed since 1896.

The table referred to follows:

NUMBER OF FAILURES, CAPITAL, ASSETS, LIABILITIES, AND DIVIDENDS PAID BY BANKS OTHER THAN NATIONAL WHICH FAILED IN EACH YEAR FROM 1864 TO 1903.

Year.	Number of failures.	Capital.	Nominal assets.	Liabilities.	Dividends paid.
1864	2				
1865	5	$125,000.00	$245,401.97	$225,662.14	$145,592.25
1866	5	275,000.00	1,206,035.00	890,112.00	
1867	3	260,000.00	222,075.00	138,821.00	138,821.00
1868	7	276,381.00	183,002.30	148,886.00	
1869	6	100,000.00	77,861.00	361,961.73	82,844.74
1870	1			50,000.00	
1871	7	220,000.00	2,314,871.90	2,654,187.15	974,256.96
1872	10	470,000.00	2,126,124.18	3,059,318.06	1,906,573.00
1873	33	907,000.00	4,644,889.91	6,938,653.01	3,420,016.33
1874	40	770,000.00	4,125,731.00	4,562,879.00	2,022,498.51
1875	14	2,413,900.00	9,190,283.98	12,365,475.25	4,143,941.97
1876	37	961,000.00	7,312,218.73	9,206,429.34	5,178,020.98
1877	63	2,491,250.00	13,137,835.47	15,223,785.49	7,004,558.27
1878	70	3,250,193.00	26,001,949.67	27,269,520.51	19,485,717.87
1879	20	1,370,465.00	5,102,691.94	5,253,307.22	4,235,808.85
1880	10	452,200.00	1,629,146.61	1,311,799.49	288,494.74
1881	9	436,750.00	585,653.06	1,785,890.45	851,755.00
1882	19	545,000.00	2,765,951.10	2,608,489.57	1,221,737.29
1883	27	870,000.00	2,813,915.19	3,193,747.39	1,408,047.99
1884	54	1,718,596.00	12,900,819.05	15,508,389.70	9,671,860.25
1885	32	1,099,400.00	2,982,879.51	4,883,454.27	2,361,320.01
1886	13	254,000.00	1,300,536.30	1,140,824.48	673,579.10
1887	19	931,590.00	2,865,300.30	3,074,622.29	1,610,527.45
1888	17	745,500.00	2,805,326.52	3,342,336.52	1,924,773.68
1889	15	363,250.00	1,279,900.68	2,147,059.18	1,026,682.73
1890	30	2,169,568.00	10,692,385.98	11,385,584.64	3,884,577.99
1891	44	2,071,300.00	7,190,824.69	6,365,198.77	3,090,597.48
1892	27	578,840.00	2,719,410.75	3,227,608.56	803,860.76
1893	261	16,641,637.00	54,828,690.65	46,766,818.80	17,912,270.45
1894	71	3,112,447.00	7,958,284.18	7,218,319.51	1,456,522.87
1895	115	3,906,350.00	11,276,529.99	9,010,584.93	2,251,708.93
1896	78	3,400,642.00	10,240,244.97	7,513,837.41	534,363.30
Total	1,164	53,187,259.00	212,725,771.58	218,833,563.86	99,711,330.75
Not dated	70	445,000.00	1,586,419.00	1,796,424.41	377,396.20
Grand total	1,234	53,632,259.00	214,312,190.58	220,629,988.27	100,088,726.95
1897	122		17,929,163.00	24,090,879.00	
1898	53		4,493,577.00	7,080,190.00	
1899	26		7,790,244.00	10,448,159.00	
1900	32		7,675,792.00	11,421,028.00	
1901	56		6,373,372.00	13,334,629.00	
1902	43		7,323,737.00	10,332,666.00	
1903	26		2,166,852.00	4,005,643.00	

BANKING IN THE ISLAND POSSESSIONS.

Through the courtesy of the treasurers of Porto Rico and the Philippine Archipelago, and from private sources in the Hawaiian Islands, sufficient data have been obtained to indicate in what proportion the island possessions have contributed to the figures representing the banking resources of the country.

A consolidation of the reports of colonial and national banks received shows the aggregate resources of banks in these possessions on or about June 30, 1903, to have been $43,912,373. The loans, including overdrafts, aggregate $22,569,615; bonds and other securities, $1,922,663; cash in bank, $9,240,801; capital stock, $5,138,770; surplus and undivided profits, $1,688,066; individual deposits, $23,264,315.

THE PHILIPPINES.

Summaries of the returns of the 10 banks in the Philippines as of dates March 31 and June 30, 1903, appear in the appendix to the annual report of the Comptroller of the Currency, together with individual statements as made to the treasurer of the Philippine Archipelago on the latter date. The principal items of resources and

liabilities of these banks on June 30, 1903, are loans, including overdrafts, $13,189,137; stocks, securities, etc., $312,316; cash in bank, including gold and silver bullion and foreign currency, $8,800,201; capital stock, $1,388,265; surplus and undivided profits, $1,525,919; notes in circulation, $1,176,396; individual deposits, $9,525,236; public deposits (insular), $5,180,117. Compared with the summary of reports for June 30, 1902, loans have increased in the sum of $1,442,046; stocks, etc., $9,680; cash in bank, $835,068; notes in circulation, $127,856. Individual deposits have increased $1,019,642, while public deposits, which include deposits of the Insular Treasury and of funds of disbursing officers, have decreased from $9,617,272 in 1902 to $5,180,117 for the present year, a decrease of $4,437,155 in this class of deposits. The aggregate resources show a net loss of about $2,000,000. The banks from which reports were received are the Manila agency and the Iloilo subagency of the Hongkong and Shanghai Banking Corporation, the Manila agency and Cebu subagency of the Chartered Bank of India, Australia, and China, the Banco Español-Filipino at Manila and its Iloilo subagency, the Monte de Piedad y Caja de Ahorras of Manila, the American Bank at Manila, the Guaranty Trust Company of New York, and the International Banking Corporation of New York, making in all 10 institutions against 11 which reported last year, one bank, the North American and Philippine Loan and Trust Company, having discontinued business in the islands.

While the net reduction in the aggregate resources of these institutions since June 30, 1902, amounts, as stated, to approximately $2,000,000, all the banks named, with the exception of the two English banks and branches and one American bank, appear to have gained in their volume of assets. The withdrawal of a large portion of the insular treasury and disbursing officers' deposits from the English banks, and the transfer of a large part of such deposits to the American institutions, account for the shrinkage in the aggregate resources of the former banks and increased assets of the latter. Reports of June 30, 1903, indicate that the two principal American banks at Manila have increased their assets during the year by a sum approximating $5,500,000.

In the summary of the Philippine bank reports it will be noted that overdrafts materially exceed the loans and discounts. This item represents, in fact, mortgage loans, as it is the custom to grant the privilege of an overdraft up to a certain amount to a customer who has previously executed a mortgage on either real estate or chattels.

HAWAII.

Consolidating the returns received from the banking institutions of the Territory of Hawaii, namely, two national and four territorial and private banks, the aggregate resources amount to $7,400,954, against $8,755,641 as reported for 1902. The apparent decrease, as shown by these figures, is owing to the fact that only four of the banks responded to the Comptroller's request for a statement of condition as of June 30, 1903, one of the nonreporting banks being a large incorporated institution. The principal items of resources and liabilities of all reporting banks of the Territory are: Loans, etc., $4,957,730; bonds and stocks, $606,197; cash in bank, $1,147,203; capital, $2,213,500; surplus, etc., $127,421; deposits, $4,743,838.

PORTO RICO.

Reports have been received from 8 banks in Porto Rico, operating under Territorial laws, and one national banking institution. The consolidation of these returns show loans aggregating $2,783,184; bonds, securities, etc., $1,003,057; cash in bank, $855,400; capital stock, $1,537,004; surplus, $273,207; deposits, $2,763,210, and aggregate resources, $6,199,902. Compared with returns for 1902, these figures indicate gains, except in respect to loans and cash in bank. The loans appear to have decreased in the sum of $186,641, and cash, $46,042. The aggregate resources have increased in the sum of $840,813 over the previous year. A recent statement furnished by the acting treasurer of the Territory relating to cash holdings of, and dividends paid by, banks of the island shows the following classification of money in bank: Fractional silver, $5,491; silver dollars, $149,721; gold coin, $215,927, and legal tender notes, $451,491. From the amount of dividends reported paid during the year by the various banks, it appears that two banks, namely, The Banco Espanol de Porto Rico and The American Colonial Bank, paid 5 per cent; the Credito y Ahorro Ponceno 8½ per cent, and the Banco Popular 4 per cent.

RECOMMENDATIONS.

The Comptroller again renews the recommendations contained in his report for 1902 for legislation in regard to liquidation and consolidation of national banks and extension of corporate existence. The matter of consolidation of banks was apparently very little considered at the time of the passage of the national-bank act. The necessary method of effecting a consolidation under the law as it now exists is inconvenient and cumbersome both to the banks and to the Comptroller's office, and in the interest of better and more efficient administration the Comptroller recommends such an amendment of the law as was advised in his last report.

The national-bank act does not sufficiently protect the rights of minority stockholders on the question of extension of expiring charters, as explained in detail in the report for 1902, and the Comptroller wishes to again call attention of the Congress to this, and respectfully urge that action be taken on this important matter for the better protection of minority or dissenting shareholders.

In the preparation of this report more than usual attention has been given to gathering information in regard to bank-note circulation, the classification of banks by geographical divisions, and also by the proportions of maximum circulation they have issued. Some useful and interesting figures and statistics in regard to the presentation of bank notes for redemption are also given.

The most notable fact in regard to the national-bank circulation is the great increase in its volume, which reached $421,222,489 on September 5, 1903, the largest amount which has ever been in circulation. It is 55.43 per cent of the maximum possible circulation, which is higher than this percentage has been since 1886. This increase in the volume of circulation has been largely due to special efforts on the part of the Treasury Department. It has been feared during the past few months that when the demand came for currency to move the crops this year it might produce more than the usual disturbance in the

money market. That this demand has been met with less disturbance and less advance in rates of interest than for several years past is doubtless due largely, among other causes, to this increase in bank-note circulation. It is further of interest to note that just as the circulation was reaching its maximum and the demand for bonds had advanced their price, the deposit of lawful money to retire circulation, which for some months had been light, suddenly increased, and during the latter half of September applications were received taking up the maximum of $3,000,000 per month for the months of September, October, November, and December.

This still further emphasizes the most serious defect in our system that the variation in the volume of our currency, instead of responding to the demand for currency, depends on the market price of bonds. Until our bank-note circulation is made automatically to respond to demand for currency for daily cash transactions without reference to the price of bonds it will never be entirely satisfactory or efficient.

In the Comptroller's report for 1902 a recommendation was made that the national banks be allowed to issue a portion of their notes uncovered by the deposit of bonds. This seems the most simple and practical, as well as the safest way, to introduce some elasticity into our bank-note circulation and the same recommendation is renewed.

During the past year or more our banks have successfully stood the very severe strain due to a great decline in the market prices of all classes of securities and the natural reaction following a period of great business activity and very general speculation, not only in stocks and securities but in many commodities and products. There have been, considering all the circumstances, fewer bank failures than might have been expected. Those which have occurred have been due to special or local causes or gross mismanagement, and, in some cases, most flagrant dishonesty on the part of the bank officials.

As a rule the reports of the bank examiners show the national banks to own very few stocks, and almost none of a very speculative character. The bank reports show total loans by all the banks of $1,372,697,751 on collateral security. These loans are mostly on good classes of stocks and bonds well margined, and as far as they are concerned, there is less cause for concern than there has been at any time for several years. The loans are readjusted on a lower basis of prices than before, and are, as a whole, as amply or more amply margined than they were on the higher prices. It is due to the banks to say that the way they have handled their business and met this decline is an evidence of strength and careful management.

That there has not been more trouble with the banks and disturbance of business generally during this period of declining prices is also a great evidence of the confidence of our people in all our money and currency. If there had been the slightest doubt as to our monetary standard or as to any of our currency in circulation we might have had a most severe and far-reaching crisis. That we have not only escaped this, but that there has not been greater disturbance of general business shows what progress and improvement there has been in all our banking, financial, and monetary affairs since they were last subjected to serious strain of this kind.

In concluding this report the Comptroller desires to testify to the efficiency and zeal of the Deputy Comptroller, the chiefs of division, and the employees of this office. The work of the office has rapidly

and greatly increased in the last year, and that it has been handled even more promptly than before is due to the hearty cooperation of all connected with the work, and especially to the capacity for organization and executive ability of the Deputy Comptroller, Mr. T. P. Kane. Special credit is also due to Mr. W. J. Fowler, chief of the organization division, for his work in gathering and arranging figures and statistics and their analysis for this report.

WM. B. RIDGELY,
Comptroller of the Currency.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

REPORT OF THE REGISTER OF THE TREASURY.

TREASURY DEPARTMENT,
OFFICE OF THE REGISTER,
Washington, D. C., September 12, 1903.

SIR: I have the honor to make the following report of the business transacted in this office during the fiscal year ended June 30, 1903:

DIVISION OF LOANS.

While the amount of work has been largely in excess of that performed in the preceding year, the force of this division has remained the same—1 chief, 15 clerks, 1 messenger, and 1 assistant messenger; 18 in all.

The duties with which the division is charged include the receipt of new coupon and registered bonds prepared by the Bureau of Engraving and Printing, and the custody of the same; the issue of all United States and District of Columbia bonds, whether on account of moneys received therefor or in exchange for other bonds; the keeping of accounts with each holder of registered bonds; the declaration of interest on all registered bonds, including the preparation of schedules showing the address of each owner, the amount of bonds held by them, and the amount of interest due at each successive date when interest is payable; the examination, recording, and posting of all bonds redeemed, and the examination and recording of all papers presented as evidence of authority to assign registered bonds.

The following table shows the number and amount of new bonds prepared by the Bureau of Engraving and Printing and received during the fiscal year:

NEW BONDS RECEIVED FROM THE BUREAU OF ENGRAVING AND PRINTING.

Loan.	Class.	Number of impressions.	Amount.
Funded loan of 1907, 4 per cent	Registered	6,000	$60,000,000
Loan of 1908–1918, 3 per cent	do	6,000	600,000
Loan of 1925, 4 per cent	do	2,000	20,000,000
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	Coupon	7	3,500
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	Registered	300	1,500,000
Total		14,307	82,103,500

The two following tables show the number and amount of bonds issued and canceled during the year in connection with the various loans of the United States and the 3.65 per cent loan of the District of Columbia, the latter being the only loan of the District of Columbia on which bonds are received for issue:

NUMBER AND AMOUNT OF BONDS ISSUED DURING THE YEAR ENDED JUNE 30, 1903.

Loan.	Class.	Number of bonds.	Direct issues.	Exchanges.	Transfers.	Total amount.
Loan of 1904, 5 per cent	Registered	1,905		$1,678,950	$4,481,850	$6,160,800
Funded loan of 1907, 4 per cent	Coupon	15	$1,000		200	1,200
	Registered	8,911	1,050	2,509,950	33,650,850	36,161,850
Loan of 1908–1918, 3 per cent	Coupon	5			900	900
	Registered	7,549		5,815,900	11,757,540	17,573,440
Loan of 1925, 4 per cent	Registered	5,167		1,728,950	18,625,700	20,354,650
Consols of 1930, 2 per cent	Coupon	3,309	2,886,750			2,886,750
	Registered	25,740	71,688,050	2,988,650	95,055,000	169,731,700
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent.	Coupon	7	3,500			3,500
	Registered	299		61,000	1,246,000	1,307,000
Total		52,907	74,580,350	14,783,400	164,818,040	254,181,790

NUMBER AND AMOUNT OF BONDS CANCELED DURING THE YEAR ENDED JUNE 30, 1903.

Loan.	Class.	Number of bonds.	Redemptions.	Exchanges.	Transfers.	Total amount.
Loan of 1904, 5 per cent	Coupon	1,883	$1,500	$1,678,950		$1,680,450
	Registered	2,692	23,800		$4,481,850	4,505,650
Funded loan of 1907, 4 per cent	Coupon	9,787	3,018,300	2,509,950	200	5,528,450
	Registered	25,988	56,408,250		33,650,850	90,059,100
Loan of 1908–1918, 3 per cent	Coupon	17,556	1,315,240	5,815,900	900	7,132,040
	Registered	13,590	12,410,360		11,757,540	24,167,900
Loan of 1925, 4 per cent	Coupon	3,994	2,051,450	1,728,950		3,780,400
	Registered	6,340	14,452,850		18,625,700	33,078,550
Consols of 1930, 2 per cent	Coupon	3,114		2,988,650		2,988,650
	Registered	13,079			95,055,000	95,055,000
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	Coupon	250	9,100	61,000		70,100
	Registered	476	774,000		1,246,000	2,020,000
Five-twenties of 1862, 6 per cent	Coupon	7	1,100			1,100
Ten-forties of 1864, 5 per cent	do	4	300			300
Consols of 1865, 6 per cent	do	1	50			50
Consols of 1867, 6 per cent	do	8	3,750			3,750
Loan of 1881, 5 per cent, continued at 3½ per cent	Registered	5	500			500
Loan of 1891, 4½ per cent	Coupon	3	1,100			1,100
	Registered	5	2,300			2,300
Loan of 1891, 4½ per cent, continued at 2 per cent	Registered	20	67,000			67,000
Treasury notes of 1861, 6 per cent		1	50			50
Total		98,803	90,541,000	14,783,400	164,818,040	270,142,440

NUMBER AND AMOUNT OF BONDS, IN SUMMARY FORM, ISSUED AND CANCELED, AND THE TOTAL NUMBER HANDLED DURING THE LAST TEN YEARS.

Year.	Bonds issued.		Bonds canceled.		Total handled.	
	Number.	Amount.	Number.	Amount.	Number.	Amount.
1893–94	64,799	$163,551,900	36,195	$114,277,200	100,994	$277,829,100
1894–95	80,362	195,445,950	43,072	110,513,200	123,434	305,959,150
1895–96	143,476	258,595,350	64,579	136,941,450	208,055	395,536,800
1896–97	33,704	129,612,500	49,731	143,185,450	83,435	272,797,950
1897–98	35,816	153,749,100	49,669	185,955,102	85,485	339,704,202
1898–99	579,182	423,111,950	240,263	240,290,560	819,445	663,411,510
1899–1900	51,343	599,864,780	185,531	563,950,650	236,874	1,123,815,430
1900–1901	105,149	648,324,020	149,523	702,872,960	254,672	1,251,196,980
1901–2	31,067	117,240,530	72,547	174,881,270	103,614	292,121,800
1902–3	52,907	254,181,790	98,803	270,142,440	151,710	524,324,230
Total	1,177,805	2,943,677,870	989,913	2,643,019,282	2,167,718	5,586,697,152

The foregoing table shows an increase over the preceding year in the number of bonds issued of 21,840, an increase in the number of bonds canceled of 26,256, making a total increase in the number of bonds handled of 48,096.

The increase during the same period in the values represented by the bonds issued was $136,941,260. The increase in the values canceled was $95,261,170, making a total increase in the amounts handled of $232,202,430.

PURCHASE OF 5 PER CENT BONDS, LOAN OF 1904.

At the beginning of the fiscal year there was outstanding $19,410,350 of United States 5 per cent bonds payable at the pleasure of the Government after February 1, 1904. By circular (No. 117) dated September 26, 1902, the Secretary of the Treasury offered to purchase any portion of the above amount at the rate of 105 flat, if purchased on or before October 15. The amount received was $1,500 in coupon bonds and $23,800 in registered bonds; total, $25,300.

PURCHASE OF 4 PER CENT BONDS, LOAN OF 1925.

On October 17, 1902, the Secretary of the Treasury (by Circular No. 128) offered to purchase for the sinking fund any 4 per cent bonds of 1925, which might be presented on the 17th and 18th of October, paying therefor 137¾ and interest to date of purchase. The amount bought under this circular was:

Coupon bonds	$2,051,450
Registered bonds	14,452,850
Total	16,504,300

FOUR PER CENT BONDS, FUNDED LOAN OF 1907, AND 3 PER CENT BONDS, LOAN OF 1908–1918, REFUNDED AT 2 PER CENT.

On March 26, 1903 (Circular No. 34), the Secretary of the Treasury gave notice that on and after April 1 owners of United States coupon and registered bonds of the 4 per cent funded loan of 1907 and 3 per cent loan of 1908–1918 might surrender them for refunding into the 2 per cent loan to an amount not exceeding $100,000,000.

The bonds of the 3 and 4 per cent loans were to "be received at a valuation equal to their present worth to yield 2¼ per centum per annum," and the 2 per cent bonds were to bear a premium of 2 per

cent. At a later date notice was given that the privilege of making such exchange would cease on July 31.

The first column in the following table shows the amount of 2 per cent bonds issued in exchange under this circular during the fiscal year ended June 30, 1903; the second column shows the whole amount so issued up to the time when exchanging ceased:

TWO PER CENT BONDS, CONSOLS OF 1930, ISSUED IN EXCHANGE FOR THE 4 PER CENT BONDS, FUNDED LOAN OF 1907, AND 3 PER CENT BONDS, LOAN OF 1908–1918.

	To June 30, 1903.	Whole amount of reissue.
Coupon bonds	$2,886,750	$3,237,750
Registered bonds	71,688,050	77,904,850
Total	74,574,800	81,142,600

The following table shows the amount of each loan surrendered for such exchange at corresponding dates to those given above:

Loan.	Class.	To June 30, 1903.	Total amount refunded.
Funded loan of 1907, 4 per cent	Coupon	$3,427,550	$3,863,550
	Registered	56,654,150	61,256,350
Loan of 1908–1918, 3 per cent	Coupon	2,312,740	3,004,160
	Registered	12,180,360	13,018,540
Total		74,574,800	81,142,600

As the record of the surrendered bonds is not made in this office until the bonds have passed through various other offices, the statement of amounts canceled will in part appear in the summary of work performed during the current fiscal year.

During the year the following-described coupon bonds which had been paid by the Treasurer of the United States were recorded on the books of this office. They were originally issued by the District of Columbia when under a Territorial form of government:

DISTRICT OF COLUMBIA COUPON BONDS REDEEMED DURING THE YEAR ENDED JUNE 30, 1903.

Loan.	Number of bonds.	Amount.
Thirty-year funded loan of 1902, 6 per cent	699	$470,300
Water-stock loan, 7 per cent	1	1,000
Total	700	471,300

SPANISH INDEMNITY CERTIFICATES.

These certificates represent debts due from the Kingdom of Spain to American citizens amounting to $599,850.16, being the amount awarded said citizens under the treaty of February 17, 1834. No payment has been made on the principal, but about once a year the sum of $28,500 is received from Spain and divided among the present holders of the certificates. The United States assumes no responsibility except to see that the money reaches those to whom it may be due.

The sixty-first installment was paid September 25, 1902. There are at present 107 holders of these certificates.

The following table shows the transfers of Spanish indemnity certificates from one owner to another during the last ten years:

TRANSFERS OF SPANISH INDEMNITY CERTIFICATES.

Year.	Issued on transfers.		Canceled on transfers.	
	Number of bonds.	Amount.	Number of bonds.	Amount.
1893–94	9	$44,523.95	8	$44,523.95
1894–95	4	12,306.53	3	12,306.53
1895–96	4	39,556.94	4	39,556.94
1896–97	8	28,475.78	8	28,475.78
1897–98	51	54,446.68	11	54,446.68
1898–99	2	12,067.06	2	12,067.06
1899–1900	140	500,147.03	110	500,147.03
1900–1901	138	181,282.11	89	181,282.11
1901–2	19	15,091.65	9	15,091.65
1902–3	3	19,919.72	19	19,919.72

PREPAYMENT OF DIVIDENDS.

On September 25, 1902 (Circular No. 115), the Secretary of the Treasury gave public notice that owners of United States registered and coupon bonds might present them for prepayment of the interest falling due between and including November 1, 1902, and July 1, 1903, after deducting a rebate of two-tenths of 1 per cent a month on the amount prepaid. Prepayment began October 1, 1902. The prepayment of interest on coupon bonds was carried on outside of this office, and only affected its transactions when some of the coupon bonds on which interest had been prepaid were subsequently sent in for exchange into registered bonds or for redemption.

The following table shows the amount of principal of registered bonds at each dividend date on which interest had been prepaid; also the amount of principal at like dates which had been exchanged for registered bonds. It further shows the amount at each such date of prepaid registered bonds which had been redeemed, and the net amount of prepaid registered bonds remaining outstanding at each of these dividend dates:

REGISTERED BONDS ON WHICH INTEREST WAS PREPAID UNDER CIRCULAR NO. 115 OF SEPTEMBER 25, 1902.

Date.	Loan.	Registered bonds prepaid.	Prepaid coupon bonds exchanged for registered bonds.	Prepaid registered bonds redeemed.	Net amount of prepaid registered bonds outstanding.
1902.					
Nov. 1	Loan of 1904, 5 per cent	$1,490,500			$1,490,500
1	Loan of 1925, 4 per cent	7,056,950			7,056,950
1903.					
Jan. 1	Funded loan of 1907, 4 per cent	14,424,850	$61,500		14,486,350
1	Consols of 1930, 2 per cent	174,964,800			174,964,800
Feb. 1	Loan of 1904, 5 per cent	1,507,500			1,507,500
1	Loan of 1908–1918, 3 per cent	4,512,080	50,000		4,562,080
1	Loan of 1925, 4 per cent	7,142,950		$2,765,000	4,377,950
Apr. 1	Funded loan of 1907, 4 per cent	14,424,850	61,500		14,486,350
1	Consols of 1930, 2 per cent	174,964,800			174,964,800
May 1	Loan of 1904, 5 per cent	1,507,500	15,000		1,522,500
1	Loan of 1908–1918, 3 per cent	4,512,080	50,000		4,562,080
1	Loan of 1925, 4 per cent	7,142,950		2,765,000	4,377,950
July 1	Funded loan of 1907, 4 per cent	14,424,850	61,500	9,146,750	5,339,600
1	Consols of 1930, 2 per cent	174,964,800	32,000		174,996,800

The dividends of interest due on bonds which had not been prepaid are shown in the following table. The last column of the table shows the total amount of registered bonds outstanding at the various dates, including the prepaid bonds and those on which interest was not prepaid, but paid at the usual dates:

DIVIDENDS OF INTEREST DUE ON BONDS, NOT PREPAID.

Date payable.	Loan.	Number of checks.	Dividends declared.		Total principal outstanding.
			Principal on which interest is payable.	Amount of interest payable.	
1902.					
Aug. 1	Loan of 1904, 5 per cent	1,333	$10,959,550.00	$136,994.37½	$10,959,550.00
1	Loan of 1908–1918, 3 per cent	26,509	50,555,020.00	379,162.65	50,555,020.00
1	Loan of 1925, 4 per cent	3,709	104,716,450.00	1,047,164.50	104,716,450.00
1	District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	245	12,638,000.00	230,643.50	12,638,000.00
Sept. 21	Spanish indemnity certificates	108	599,850.16	28,500.00	599,850.16
Oct. 1	Funded loan of 1907, 4 per cent	19,303	182,676,850.00	1,826,768.50	182,676,850.00
1	Consols of 1930, 2 per cent	6,207	436,586,200.00	2,182,931.00	436,586,200.00
Nov. 1	Loan of 1904, 5 per cent	1,286	9,990,250.00	124,878.12½	11,480,750.00
1	Loan of 1908–1918, 3 per cent	26,159	53,962,560.00	404,719.20	53,962,560.00
1	Loan of 1925, 4 per cent	3,643	98,765,600.00	987,656.00	105,822,550.00
1903.					
Jan. 1	Funded loan of 1907, 4 per cent	18,868	170,138,900.00	1,701,389.00	184,625,250.00
1	Consols of 1930, 2 per cent	5,293	263,241,250.00	1,316,206.25	438,206,050.00
Feb. 1	Loan of 1904, 5 per cent	1,265	10,236,550.00	127,956.87½	11,744,050.00
1	Loan of 1908–1918, 3 per cent	25,569	51,476,220.00	386,071.65	56,038,300.00
1	Loan of 1925, 4 per cent	3,565	81,232,300.00	872,323.00	91,610,250.00
1	District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	239	12,103,000.00	220,879.75	12,103,000.00
Apr. 1	Funded loan of 1907, 4 per cent	18,663	170,479,750.00	1,704,797.50	184,966,100.00
1	Consols of 1930, 2 per cent	5,395	263,367,500.00	1,316,837.50	438,332,300.00
May 1	Loan of 1908–1918, 3 per cent	25,267	51,693,220.00	387,699.15	56,255,300.00
1	Loan of 1925, 4 per cent	3,614	87,437,950.00	874,379.50	91,815,900.00
1	Loan of 1904, 5 per cent	1,251	10,848,350.00	135,604.37½	12,370,850.00
July 1	Funded loan of 1907, 4 per cent	16,559	125,512,200.00	1,255,122.00	130,851,800.00
1	Consols of 1930, 2 per cent	6,237	335,037,200.00	1,675,186.00	510,034,000.00
	Total	220,278		19,323,870.40	

UNISSUED BONDS ON HAND IN THE OFFICE OF THE REGISTER OF THE TREASURY AT THE CLOSE OF BUSINESS JUNE 30, 1903.

Loan.	Class.	$20.	$50.	$100.	$500.	$1,000.	$5,000.
Loan of 1904, 5 per cent	Registered		6,341	652		2,784	
Funded loan of 1907, 4 per cent	Coupon		528	932	97	99	
	Registered		1,368	3,024	3,187	6,558	1,873
Loan of 1908–1918, 3 per cent	Coupon	1,055		5,935	3,143	14,480	
	Registered	10,505		5,318	1,903	12,137	6,527
Loan of 1925, 4 per cent	do		9,098	2,804	5,037	1,130	1,026
Consols of 1930, 2 per cent	Coupon		758	846	902	3,047	
	Registered		550	2,951	3,936	15,678	1,887
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	do					21	58
Total		11,560	18,643	22,462	18,205	55,934	11,371

Loan.	Class.	$10,000.	$20,000.	$50,000.	Total number of bonds.	Amount.
Loan of 1904, 5 per cent	Registered	200			9,977	$5,166,250
Funded loan of 1907, 4 per cent	Coupon				1,656	267,100
	Registered	6,426	435	959	23,830	138,797,300
Loan of 1908–1918, 3 per cent	Coupon				24,613	16,666,100
	Registered	25,597			61,987	302,435,400
Loan of 1925, 4 per cent	do	2,299			21,394	32,503,800
Consols of 1930, 2 per cent	Coupon				5,553	3,620,500
	Registered	49,562		1,187	75,751	582,373,600
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	do				79	311,000
Spanish indemnity certificates					449	
Total		84,084	435	2,146	225,289	1,082,141,050

VAULT EXAMINED.

On June 16, 1903, I appointed a committee of five employees of the division of notes, coupons, and currency to examine, count, and report the number and value of all unissued registered and coupon bonds contained in the vault in the division of loans of this office. The report of the committee showed that the contents of the vault corresponded fully with the entries in the vault ledger.

FOREIGN AND DOMESTIC HOLDINGS.

For the year ended June 30, 1903, an analysis of the ownership of registered United States bonds with the object of discovering the proportion held by foreigners, as well as the countries and towns in which the owners reside, discloses very little change from the condition which existed last year. An aggregate of $15,065,750 of the registered United States bonds are held by foreigners. Of this amount, $3,911,250 are credited to individuals and $11,154,500 to insurance companies. The latter amount is all on deposit in this country. Before a foreign insurance company can do business in the United States, it is compelled to deposit with the insurance commissioner of the particular State it seeks to invade a certain amount of bonds, registered in the name of the insurance commissioner for the benefit of the policy holders of the company in that State. Thus, if the Phoenix Insurance Company of London, England, desires to do business in the State of Ohio, the first step leading to that end would be to deposit with the insurance commissioner of that State a certain amount of bonds (the amount to be determined by the value of business to be done) inscribed as follows: "The Insurance Commissioner of the State of Ohio in trust for the policy holders of the Phoenix Insurance Company of London, England, residing in Ohio."

As it is imperative that the companies shall be investors in bonds, and as every dollar thus invested is on deposit in this country as security for obligations to be performed, it becomes apparent that the individual holder is the real or bona fide foreign holder, and the amount thus held is so insignificant that it may be said that the national credit is entirely upheld by domestic money.

OPENING AND CLOSING OF TRANSFER BOOKS.

For the information of many persons who buy and sell bonds, and who do not understand, apparently, that there are periods when transfers are not made, the statement is made that it becomes necessary each quarter, before the interest is declared, to close the books against transfer in order that the interest schedules may be prepared for the Treasurer of the United States, who from them draws the checks and forwards them to the holders of bonds. When the books are closed transfers are not made, and the interest for the quarter is always declared in favor of the persons in whose names the bonds appeared when the books closed. Thus, if John Smith owned a 4 per cent bond of the funded loan of 1907, and it was received at this office during the month of September for transfer to George Brown, the interest due October 1 would be declared in favor of John Smith, as the books would show him to have been the owner of the bond at the close of

business August 31. An assignment is not a transfer, and although John Smith may have assigned his bond to George Brown in July, it would still stand in his (Smith's) name on the books of the Department until it had been received by the Register for transfer to the assignee. As the receipt of the bond by the Register might be in September, the interest due October 1 would go to Smith and Brown would have to look to him for it.

Below is a table giving the dates for the closing and reopening of the books of all the loans:

CLOSING AND REOPENING OF TRANSFER BOOKS ON VARIOUS UNITED STATES LOANS, ETC.

Loan.	Interest payable—	Books close—			
Funded loan of 1907, 4 per cent	Quarterly	Feb. 28	May 31	Aug. 31	Nov. 30
Consols of 1930, 2 per cent	do	do	do	do	Do.
Loan of 1925, 4 per cent	do	Jan. 15	Apr. 15	July 15	Oct. 15
Loan of 1904, 5 per cent	do	do	do	do	Do.
Loan of 1908–1918, 3 per cent	do	Mar. 31	June 30	Sept. 30	Dec. 31
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent.	Semiannually	Jan. 21	.....	July 21	.....

Loan.	Interest payable—	Books reopen—			
Funded loan of 1907, 4 per cent	Quarterly	Apr. 1	July 1	Oct. 1	Jan. 1
Consols of 1930, 2 per cent	do	do	do	do	Do.
Loan of 1925, 4 per cent	do	Feb. 1	May 1	Aug. 1	Nov. 1
Loan of 1904, 5 per cent	do	do	do	do	Do.
Loan of 1908–1918, 3 per cent	do	May 1	Aug. 1	Nov. 1	Feb. 1
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent.	Semiannually	Feb. 1	.....	Aug. 1	.....

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DIVISION OF NOTES, COUPONS, AND CURRENCY.

The force of this division consists of the chief, 43 clerks, 1 assistant messenger, and 4 laborers. Its work is the registration and filing of the redeemed, exchanged, and transferred coupon bonds, detached redeemed coupons, paid interest checks, and other miscellaneous redeemed Government securities. Also, the final count and examination of all United States redeemed currency prior to its destruction.

The authorization by Congress through an appropriation for 9 additional counters, afforded timely relief to the currency section, where, by reason of the large increase in the currency to be counted, the old force was wholly inadequate to the task. Now that work is kept up to date without the assistance of details from other branches of the Department.

* * * * * * *

The number of redeemed detached coupons received during the year was 1,070,734; the number verified, 1,070,734; the number arranged numerically, 1,194,104; the number registered, 1,267,361; the number examined, 1,959,761; the number scheduled, 2,651,469, and the number entered in ledgers, 2,528,811.

This line of work at the close of the year was in a very satisfactory condition, the current work in every branch being fully up to date and in good form to meet every requirement of the service.

REDEEMED DETACHED COUPONS RECEIVED DURING THE YEAR.

Loan.	Number.	Amount.
United States loans.		
Five-twenties of 1862, 6 per cent, second series	2	$6.00
Two-year Treasury notes of 1863, 5 per cent	2	2.50
Five-twenties of 1865, 6 per cent, first series	13	99.00
Consols of 1867, 6 per cent, third series	4	34.50
Consols of 1868, 6 per cent, fourth series	1	3.00
Funded loan of 1891, 4½ per cent	21	23.62
Funded loan of 1907, 4 per cent	409,686	1,926,898.00
Loan of 1904, 5 per cent	35,194	336,994.81
Loan of 1925, 4 per cent	110,554	966,582.50
Loan of 1908–1918, 3 per cent	472,613	1,124,519.40
Consols of 1930, 2 per cent	36,131	165,762.75
District of Columbia loans.		
Fifty-year funded loan of 1924, 3.65 per cent	5,078	30,141.70
Thirty-year funded loan of 1902, 6 per cent	1,408	27,705.00
Water-stock loan, 7 per cent	27	945.00
Total	1,070,734	4,579,717.78

PLACE OF PAYMENT, NUMBER, AND AMOUNT OF COUPONS RECEIVED DURING THE YEAR.

NEW YORK, N. Y.

Loan.	Number.	Amount.
United States loans.		
Funded loan of 1891, 4½ per cent	21	$23.62
Funded loan of 1907, 4 per cent	202,152	1,121,890.00
Loan of 1904, 5 per cent	21,340	227,213.53
Loan of 1925, 4 per cent	63,031	567,425.00
Loan of 1908–1918, 3 per cent	236,668	640,413.75
Consols of 1930, 2 per cent	26,374	123,925.25
District of Columbia loans.		
Fifty-year funded loan of 1924, 3.65 per cent	3,451	25,298.15
Thirty-year funded loan of 1902, 6 per cent	258	5,763.00
Water-stock loan, 7 per cent	2	70.00
Total	553,297	2,711,522.30

BOSTON, MASS.

United States loans.		
Funded loan of 1907, 4 per cent	58,808	$210,897.00
Loan of 1904, 5 per cent	3,848	29,306.17
Loan of 1925, 4 per cent	18,159	149,588.00
Loan of 1908–1918, 3 per cent	25,633	60,281.70
Consols of 1930, 2 per cent	1,243	5,431.50
Total	107,691	455,504.37

WASHINGTON, D. C.

United States loans.		
Five-twenties of 1862, 6 per cent, second series	2	$6.00
Two-year Treasury notes of 1863, 5 per cent	2	2.50
Five-twenties of 1865, 6 per cent, first series	13	99.00
Consols of 1867, 6 per cent, third series	4	34.50
Consols of 1868, 6 per cent, fourth series	1	3.00
Funded loan of 1907, 4 per cent	8,374	33,320.00
Loan of 1904, 5 per cent	346	3,863.75
Loan of 1925, 4 per cent	544	4,498.00
Loan of 1908–1918, 3 per cent	11,997	25,030.65
Consols of 1930, 2 per cent	566	2,436.00

PLACE OF PAYMENT, NUMBER, AND AMOUNT OF COUPONS RECEIVED DURING THE YEAR—Continued.

WASHINGTON, D. C.—Continued.

Loan.	Number.	Amount.
District of Columbia loans.		
Fifty-year funded loan of 1924, 3.65 per cent	1,627	$4,843.55
Thirty-year funded loan of 1902, 6 per cent	1,150	21,942.00
Water-stock loan, 7 per cent	25	875.00
Total	24,651	96,953.95

CINCINNATI, OHIO.

United States loans.		
Funded loan of 1907, 4 per cent	49,923	$198,098.00
Loan of 1904, 5 per cent	4,094	29,785.68
Loan of 1925, 4 per cent	7,530	52,988.00
Loan of 1908–1918, 3 per cent	45,157	89,485.80
Consols of 1930, 2 per cent	2,566	10,266.25
Total	109,270	380,623.73

CHICAGO, ILL.

United States loans.		
Funded loan of 1907, 4 per cent	25,809	$91,567.50
Loan of 1904, 5 per cent	1,615	15,919.88
Loan of 1925, 4 per cent	7,258	65,108.50
Loan of 1908–1918, 3 per cent	62,606	137,246.40
Consols of 1930, 2 per cent	2,929	12,470.25
Total	100,217	322,312.53

PHILADELPHIA, PA.

United States loans.		
Funded loan of 1907, 4 per cent	27,579	$104,527.50
Loan of 1904, 5 per cent	2,239	18,927.69
Loan of 1925, 4 per cent	2,578	17,718.00
Loan of 1908–1918, 3 per cent	34,446	60,594.45
Consols of 1930, 2 per cent	174	760.00
Total	67,016	202,527.64

ST. LOUIS, MO.

United States loans.		
Funded loan of 1907, 4 per cent	22,731	$90,080.50
Loan of 1904, 5 per cent	1,038	5,488.11
Loan of 1925, 4 per cent	2,539	23,996.00
Loan of 1908–1918, 3 per cent	25,644	56,016.60
Consols of 1930, 2 per cent	1,413	6,646.00
Total	53,365	182,227.21

BALTIMORE, MD.

United States loans.		
Funded loan of 1907, 4 per cent	6,243	$31,076.50
Loan of 1904, 5 per cent	560	5,222.50
Loan of 1925, 4 per cent	6,541	63,141.00
Loan of 1908–1918, 3 per cent	9,352	17,760.60
Consols of 1930, 2 per cent	582	2,480.00
Total	23,278	119,680.60

PLACE OF PAYMENT, NUMBER, AND AMOUNT OF COUPONS RECEIVED DURING THE YEAR—Continued.

SAN FRANCISCO, CAL.

Loan.	Number.	Amount.
United States loans.		
Funded loan of 1907, 4 per cent	6,201	$37,710.50
Loan of 1904, 5 per cent	114	1,267.50
Loan of 1925, 4 per cent	2,299	21,406.00
Loan of 1908–1918, 3 per cent	18,652	33,206.55
Consols of 1930, 2 per cent	284	1,347.50
Total	27,550	94,938.05

NEW ORLEANS, LA.

United States loans.		
Funded loan of 1907, 4 per cent	1,866	$8,230.50
Loan of 1925, 4 per cent	75	714.00
Loan of 1908–1918, 3 per cent	2,458	4,482.90
Total	4,399	13,427.40

RECAPITULATION.

Place.	Number.	Amount.
New York, N. Y	553,297	$2,711,522.30
Boston, Mass	107,691	455,504.37
Washington, D. C	24,651	96,953.95
Cincinnati, Ohio	109,270	380,623.73
Chicago, Ill	100,217	322,312.53
Philadelphia, Pa	67,016	202,527.64
St. Louis, Mo	53,365	182,227.21
Baltimore, Md	23,278	119,680.60
San Francisco, Cal	27,550	94,938.05
New Orleans, La	4,399	13,427.40
Total	1,070,734	4,579,717.78

NUMBER AND AMOUNT OF COUPONS ON FILE IN THIS DIVISION JUNE 30, 1903.

Loan.	Number.	Amount.
United States loans.		
Loan of 1842, 6 per cent	42,268	$1,994,580.00
Loan of 1843, 5 per cent	26,657	860,925.00
Loan of 1848, 6 per cent	222,212	7,664,010.00
Texan indemnity stock, 5 per cent	107,805	2,695,125.00
Loan of 1858, 5 per cent	459,372	11,484,300.00
Loan of 1860, 5 per cent	26,318	657,950.00
Loan of February 8, 1861, 6 per cent	216,378	6,491,340.00
Oregon war debt, 6 per cent	123,553	1,758,128.00
Loan of July and August, 1861, 6 per cent	3,500,600	73,246,831.50
Seven-thirties of 1861, 7.3 per cent	2,326,772	23,652,541.07½
Five-twenties of 1862, 6 per cent, all series	15,300,454	238,352,917.86
Loan of 1863, 6 per cent	1,076,901	23,128,779.50
Two-year Treasury notes of 1863, 5 per cent	879,150	7,169,235.31
Ten-forties of 1864, 5 per cent	2,648,034	46,502,867.00
Five-twenties of June, 1864, 6 per cent	1,598,061	32,669,207.50
Seven-thirties of 1864 and 1865, 7.3 per cent	12,835,374	123,329,997.54½
Five-twenties of 1865, 6 per cent, first series	3,516,877	82,293,949.50
Consols of 1865, 6 per cent, second series	8,181,933	121,054,407.50
Consols of 1867, 6 per cent, third series	11,669,925	161,043,926.50
Consols of 1868, 6 per cent, fourth series	1,283,497	16,336,952.00
Certificates of indebtedness of 1870, 4 per cent	6,102	122,040.00
Funded loan of 1881, 5 per cent	10,231,819	96,729,885.01
Funded loan of 1891, 4½ per cent	4,146,498	36,455,432.99
Funded loan of 1907, 4 per cent	22,431,487	105,511,059.50
Loan of 1904, 5 per cent	1,140,408	12,812,973.85
Loan of 1925, 4 per cent	1,617,608	14,506,606.00
Loan of 1908–1918, 3 per cent	3,337,680	9,330,476.40
Consols of 1930, 2 per cent	125,414	585,576.00

NUMBER AND AMOUNT OF COUPONS ON FILE IN THIS DIVISION JUNE 30, 1903—Con.

Loan.	Number.	Amount.
District of Columbia loans.		
Fifty-year funded loan of 1924, 3.65 per cent	565,822	$3,777,734.31
Thirty-year funded loan of 1902, 6 per cent	43,324	872,145.00
Twenty-year funded loan of 1899, 5 per cent	26,451	593,527.50
Twenty-year funded loan of 1892, 6 per cent	94,092	880,596.00
Ten-year loan (Bowen), 6 per cent	3,101	16,824.00
Water-stock loan, 7 per cent	17,407	609,245.00
Permanent improvement loan, 6 per cent	232,316	2,793,690.00
Permanent improvement loan, 7 per cent	29,727	547,627.50
Market-stock loan, 7 per cent	3,133	47,738.25
Steam force-pump loan, 7.3 per cent	10	182.50
Miscellaneous.		
Louisville and Portland Canal Company, 6 per cent	16,349	490,470.00
Total	110,110,889	1,269,071,800.60

During the year the currency branch of this division counted, examined, entered in journals and ledgers, and prepared for destruction 10,219,659 United States notes, amounting to $109,600,000; 1,847,564 Treasury notes of 1890, amounting to $10,757,000; 109,199,626 silver certificates, amounting to $262,299,000; 1,636,546 gold certificates, amounting to $55,921,000; 9,700 fractional currency, amounting to $2,083; 128 refunding certificates, amounting to $1,280; 30 one and two year Treasury notes of 1863 and three-year compound-interest notes of 1863 and 1864, amounting to $880; aggregating in number of notes 122,913,253 and in amount $438,581,243, showing an increase over the last fiscal year of 22,240,052 notes and in amount $71,401,265.

DIFFERENT CLASSES OF NOTES RECEIVED AND DESTROYED DURING THE YEAR, BY DENOMINATION AND AMOUNT, AND TOTAL REDEMPTION AND DESTRUCTION OF THE SAME, BY DENOMINATION AND AMOUNT, TO JUNE 30, 1903.

Issue and denomination.	Amount redeemed during the year.	Total amount redeemed to date.
Old demand notes:		
Five dollar		$21,778,337.50
Ten dollar		20,010,015.00
Twenty dollar		18,187,800.00
Total		59,976,152.50
United States notes:		
One dollar	$37,188.00	186,415,305.80
Two dollar	54,990.00	185,257,684.20
Five dollar	11,945,017.00	574,607,735.00
Ten dollar	69,557,690.00	632,429,609.00
Twenty dollar	13,816,840.00	482,079,958.00
Fifty dollar	2,911,825.00	139,528,900.00
One hundred dollar	5,354,450.00	177,331,100.00
Five hundred dollar	1,557,000.00	208,574,500.00
One thousand dollar	4,365,000.00	386,780,000.00
Five thousand dollar		19,990,000.00
Ten thousand dollar		39,990,000.00
Unknown denominations		1,000,000.00
Total	109,600,000.00	3,033,984,792.00
Treasury notes of 1890:		
One dollar	348,539.00	63,933,216.00
Two dollar	340,901.00	49,195,244.00
Five dollar	4,122,540.00	115,704,690.00
Ten dollar	4,359,010.00	96,355,210.00
Twenty dollar	1,326,760.00	32,449,190.00
Fifty dollar	12,850.00	1,117,750.00
One hundred dollar	139,400.00	17,389,700.00
One thousand dollar	107,000.00	52,047,000.00
Total	10,757,000.00	428,192,000.00

DIFFERENT CLASSES OF NOTES RECEIVED AND DESTROYED DURING THE YEAR, BY DENOMINATION AND AMOUNT, AND TOTAL REDEMPTION AND DESTRUCTION OF THE SAME, BY DENOMINATION AND AMOUNT, TO JUNE 30, 1903—Continued.

Issue and denomination.	Amount redeemed during the year.	Total amount redeemed to date.
Silver certificates:		
One dollar	$64,006,011.00	$348,087,816.90
Two dollar	33,303,089.00	191,865,811.60
Five dollar	127,023,145.00	652,034,932.50
Ten dollar	26,191,330.00	518,561,219.00
Twenty dollar	9,555,200.00	265,958,850.00
Fifty dollar	1,723,625.00	63,348,890.00
One hundred dollar	427,600.00	79,746,980.00
Five hundred dollar	12,000.00	16,592,500.00
One thousand dollar	57,000.00	32,351,000.00
Total	262,299,000.00	2,168,548,000.00
Gold certificates, series of 1882, payable to bearer:		
Twenty dollar	28,375,600.00	78,608,416.00
Fifty dollar	6,393,400.00	33,343,995.00
One hundred dollar	7,704,000.00	38,543,200.00
Five hundred dollar	3,148,000.00	33,809,000.00
One thousand dollar	6,040,000.00	67,611,500.00
Five thousand dollar	960,000.00	62,880,000.00
Ten thousand dollar	3,300,000.00	165,350,000.00
Total	55,921,000.00	480,146,111.00
Fractional currency:		
Three cent	3.00	511,710.63
Five cent	35.00	3,836,110.28
Ten cent	390.00	77,140,538.33
Fifteen cent	30.00	5,065,459.14
Twenty-five cent	775.00	134,759,093.41
Fifty cent	850.00	132,131,988.70
Unknown denominations		32,000.00
Total	2,083.00	353,476,900.49
Refunding certificates, payable to bearer:		
Ten dollar	1,280.00	39,923,620.00
One-year Treasury notes of 1863:		
Ten dollar	20.00	6,195,145.00
Twenty dollar	200.00	16,426,180.00
Fifty dollar		8,233,650.00
One hundred dollar		13,633,800.00
Unknown denominations		90.00
Total	220.00	[a] 44,488,865.00
Two-year Treasury notes of 1863, issued without coupons:		
Fifty dollar	50.00	6,794,750.00
One hundred dollar		9,678,200.00
Total	50.00	[b] 16,472,950.00
Two-year Treasury notes of 1863, issued with coupons:		
Fifty dollar	50.00	5,903,650.00
One hundred dollar		14,476,400.00
Five hundred dollar		40,300,500.00
One thousand dollar		89,289,000.00
Unknown denominations		10,500.00
Total	50.00	149,980,050.00
Compound-interest notes, act of Mar. 3, 1863:		
Ten dollar		873,810.00
Fifty dollar	50.00	2,745,200.00
One hundred dollar		3,938,600.00
Five hundred dollar		10,425,500.00
Total	50.00	17,983,110.00

[a] Not including $130 embraced in the Treasury collection of redeemed United States securities.
[b] Not including $150 embraced in the Treasury collection of redeemed United States securities.

DIFFERENT CLASSES OF NOTES RECEIVED AND DESTROYED DURING THE YEAR, BY DENOMINATION AND AMOUNT, AND TOTAL REDEMPTION AND DESTRUCTION OF THE SAME, BY DENOMINATION AND AMOUNT, TO JUNE 30, 1903—Continued.

Issue and denomination.	Amount redeemed during the year.	Total amount redeemed to date.
Compound-interest notes, act of June 30, 1864:		
Ten dollar	$40.00	$22,390,810.00
Twenty dollar	120.00	30,093,280.00
Fifty dollar	150.00	58,016,650.00
One hundred dollar	200.00	41,123,600.00
Five hundred dollar		57,408,000.00
One thousand dollar		39,417,000.00
Total	510.00	[a] 248,449,340.00

RECAPITULATION.

Issue.	Amount redeemed during the year.	Total amount redeemed to date.
Old demand notes		$59,976,152.50
United States notes	$109,600,000.00	3,033,984,792.00
Treasury notes of 1890	10,757,000.00	428,192,000.00
Silver certificates	262,299,000.00	2,168,548,000.00
Gold certificates, series of 1882, payable to bearer	55,921,000.00	480,146,111.00
Fractional currency	2,083.00	353,476,900.49
Refunding certificates, payable to bearer	1,280.00	39,923,620.00
One-year Treasury notes of 1863	220.00	44,488,865.00
Two-year Treasury notes of 1863, issued without coupons	50.00	16,472,950.00
Two-year Treasury notes of 1863, issued with coupons	50.00	149,980,050.00
Compound-interest notes, act of Mar. 3, 1863	50.00	17,983,110.00
Compound-interest notes, act of June 30, 1864	510.00	248,449,340.00
Total	438,581,243.00	[b] 7,041,621,890.99

[a] Not including $680 embraced in the Treasury collection of redeemed United States securities.
[b] Not including $130 of one-year Treasury notes of 1863, act of March 3, 1863; $150 of two-year Treasury notes of 1863, act of March 3, 1863, issued without coupons, and $680 of compound-interest notes, act of June 30, 1864, a total of $960, they being embraced in the Treasury collection of redeemed United States securities.

NOTE.—In some of the denominations of the above issues the notes were redeemed at less than their full face value on account of discounts for mutilation.

The following table shows old demand notes, United States notes, Treasury notes of 1890, gold certificates, series of 1882, payable to bearer, silver certificates, refunding certificates, payable to bearer, fractional currency, one and two year Treasury notes of 1863, and compound-interest notes of 1863 and 1864, received for count, cancellation, and destruction, from the fiscal year 1894–95 to 1902–3.

Year.	Number of notes.	Amount.
1894–95	52,894,507	$255,816,859.93
1895–96	56,435,683	276,231,303.35
1896–97	59,259,953	253,061,552.00
1897–98	58,111,942	249,049,270.00
1898–99	63,545,005	271,506,013.48
1899–1900	67,558,142	286,067,832.25
1900–1901	81,403,013	322,144,938.78
1901–2	100,673,201	367,179,978.00
1902–3	122,913,253	438,581,243.00

GOLD CERTIFICATES.

During the year, of the gold certificates of the act of March 3, 1863, old series, payable to order, there were received 17 certificates, amounting to $6,020.

According to the usages of the Department at that time to May 9, 1873, 365,991 certificates of this issue, amounting to $574,506,700, were destroyed. Since the order to discontinue the destruction 194,882 certificates, amounting to $406,502,000.46, have been placed on file. The total number registered in this division being 560,873 certificates, amounting to $981,008,700.46.

Of the certificates of the act of July 12, 1882, series of 1888, payable to order, there were received 187 certificates, amounting to $1,275,000. Total of this issue, registered and on file, 23,215 certificates, amounting to $178,470,000.

Of the certificates of the act of March 14, 1900, series of 1900, payable to order, there were received 3,905 certificates, amounting to $39,050,000. Total registered and on file 10,687 certificates, amounting to $106,870,000.

INTEREST CHECKS.

The number of paid interest checks received during the year was 227,767, and the number verified, registered, and examined 223,552. There were 93 certificates of settlements for the prepayment of interest on the funded loan of 1907, loan of 1904, loan of 1925, loan of 1908–1918, and consols of 1930 received, and the several amounts prepaid, in the aggregate $3,394,645.95, entered in the account of redeemed checks.

The frequent demands from other offices for information from the great and increasing accumulation of paid interest checks on file in this division, are readily and quickly supplied under the present system of filing.

NUMBER AND AMOUNT OF INTEREST CHECKS RECEIVED DURING THE YEAR, AND AMOUNTS OF INTEREST PREPAID WITHOUT CHECKS, BY LOANS.

Loan.	Number.	Amount.
Funded loan of 1881, 5 per cent, continued at 3¼ per cent	3	$13.11
Loan of July 12, 1882, 3 per cent	9	71.25
Funded loan of 1891, 4½ per cent	1	11.25
Funded loan of 1891, 4½ per cent, continued at 2 per cent	8	191.50
Funded loan of 1907, 4 per cent	78,663	7,298,279.00
Funded loan of 1907, 4 per cent, interest prepaid	.....	432,745.50
Loan of 1904, 5 per cent	5,805	622,715.45
Loan of 1904, 5 per cent, interest prepaid	.....	56,318.75
Loan of 1925, 4 per cent	14,570	3,944,732.00
Loan of 1925, 4 per cent, interest prepaid	.....	213,428.50
Loan of 1908–1918, 3 per cent, interest on deposits for bonds	268	130.51
Loan of 1908–1918, 3 per cent	104,365	1,611,104.10
Loan of 1908–1918, 3 per cent, interest prepaid	.....	67,681.20
Consols of 1930, 2 per cent	23,475	7,854,222.25
Consols of 1930, 2 per cent, interest prepaid	.....	2,624,472.00
District of Columbia, fifty-year funded loan of 1924, 3.65 per cent	496	452,782.50
Pacific Railroads, 6 per cent	4	180.00
Spanish indemnity certificates	100	28,353.55
Total	227,767	25,207,432.42

NUMBER AND AMOUNT OF REDEEMED INTEREST CHECKS OF EACH LOAN, AND AMOUNT OF VOUCHERS FOR INTEREST PREPAID WITHOUT CHECKS, ON FILE JUNE 30, 1903.

Loan.	Number.	Amount.
Loan of July and August, 1861, 6 per cent	5,994	$3,827,538.00
Loan of July and August, 1861, 6 per cent, continued at 3½ per cent	6,203	1,781,801.92
Loan of 1863, 6 per cent	3,099	1,513,407.00
Loan of 1863, 6 per cent, continued at 3½ per cent	6,571	1,674,072.71
Funded loan of 1881, 5 per cent	202,191	109,686,403.44
Funded loan of 1881, 5 per cent, continued at 3½ per cent	54,292	16,097,185.05
Loan of July 12, 1882, 3 per cent	81,938	28,346,627.87
Funded loan of 1891, 4½ per cent	569,164	105,378,234.46
Funded loan of 1891, 4½ per cent, continued at 2 per cent	36,997	4,386,346.69
Funded loan of 1891, 4½ per cent, continued at 2 per cent, interest prepaid	.....	50,181.25
Funded loan of 1907, 4 per cent	3,389,476	469,757,539.94
Funded loan of 1907, 4 per cent, interest prepaid	.....	1,730,779.50
Loan of 1904, 5 per cent	55,209	19,164,887.60
Loan of 1904, 5 per cent, interest prepaid	.....	258,192.50
Loan of 1925, 4 per cent	100,779	31,379,895.00
Loan of 1925, 4 per cent, interest prepaid	.....	373,051.50
Loan of 1908–1918, 3 per cent, interest on deposits for bonds	218,092	200,044.92
Loan of 1908–1918, 3 per cent	527,482	8,467,471.05
Loan of 1908–1918, 3 per cent, interest prepaid	.....	354,584.70
Consols of 1930, 2 per cent, first interest on coupon bonds	179	28,351.25
Consols of 1930, 2 per cent	58,030	21,797,763.50
Consols of 1930, 2 per cent, interest prepaid	.....	2,624,472.00
District of Columbia:		
Fifty-year funded loan of 1924, 3.65 per cent	18,771	11,046,179.55
Old funded debt, 3½ and 5 per cent	3,736	857,026.41
Pacific Railroads, 6 per cent	63,114	60,313,399.68
Spanish indemnity certificates	747	255,256.01
Cherokee land certificates	77	863,200.00
Total	5,402,141	902,213,893.50

ISSUE, REDEMPTION, AND OUTSTANDING OF VARIOUS OLD ISSUES OF THE GOVERNMENT AT THE CLOSE OF THE YEAR.

Issue.	Total issue.	Redeemed during the year.	Total redeemed to June 30, 1903.	Outstanding.
Seven-thirty Treasury notes:				
Act of July 17, 1861	$140,094,750.00	.....	$140,085,350.00	$9,400.00
Act of June 30, 1864, first series	299,992,500.00	.....	299,946,700.00	45,800.00
Act of March 3, 1865, second series	331,000,000.00	.....	330,969,550.00	30,450.00
Act of March 3, 1865, third series	199,000,000.00	.....	198,954,650.00	45,350.00
Total	970,087,250.00	.....	969,956,250.00	131,000.00
Certificates of indebtedness, acts of March 1 and 17, 1862, and March 3, 1863:				
First issue	498,593,241.65	.....	498,591,241.65	2,000.00
Second issue	63,160,000.00	.....	63,159,000.00	1,000.00
Total	561,753,241.65	.....	561,750,241.65	3,000.00
Three per cent certificates, acts of March 2, 1867, and July 25, 1868	85,155,000.00	.....	85,150,000.00	5,000.00
Refunding certificates:				
Act of February 26, 1879, payable to order	58,500.00	.....	58,430.00	70.00
Act of February 26, 1879, payable to bearer	39,954,250.00	$1,280.00	39,923,620.00	30,630.00
Total	40,012,750.00	1,280.00	39,982,050.00	30,700.00
Gold certificates, payable to order:				
Act of March 3, 1863, first series	429,604,900.00	20.00	429,597,920.00	6,980.00
Act of March 3, 1863, Geneva award (special)	33,000,580.46	.....	33,000,580.46	.....
Act of March 3, 1863, series of 1870	370,500,000.00	1,000.00	370,479,500.00	20,500.00
Act of March 3, 1863, series of 1871	5,000,000.00	300.00	4,998,800.00	1,200.00
Act of March 3, 1863, series of 1875	143,029,400.00	4,700.00	142,931,900.00	97,500.00
Total	981,134,880.46	6,020.00	981,008,700.46	126,180.00
One-year Treasury notes of 1863, act of March 3, 1863	44,520,000.00	220.00	[a] 44,488,865.00	31,135.00

[a] Not including $130 embraced in the Treasury collection of redeemed United States securities.

ISSUE, REDEMPTION, AND OUTSTANDING OF VARIOUS OLD ISSUES OF THE GOVERNMENT AT THE CLOSE OF THE YEAR—Continued.

Issue.	Total issue.	Redeemed during the year.	Total redeemed to June 30, 1903.	Outstanding.
Two-year Treasury notes of 1863:				
Act of March 3, 1863, issued without coupons	$16,480,000.00	$50.00	[a] $16,472,950.00	$7,050.00
Act of March 3, 1863, issued with coupons	150,000,000.00	50.00	149,980,050.00	19,950.00
Total	166,480,000.00	100.00	166,453,000.00	27,000.00
Compound-interest notes:				
Act of March 3, 1863	17,993,760.00	50.00	17,983,110.00	10,650.00
Act of June 30, 1864	248,601,680.00	510.00	[b] 248,449,340.00	152,340.00
Total	266,595,440.00	560.00	266,432,450.00	162,990.00

[a] Not including $150 embraced in the Treasury collection of redeemed United States securities.
[b] Not including $680 embraced in the Treasury collection of redeemed United States securities.

NOTE.—The office of the Register of the Treasury is the last to receive the redeemed securities of the Government, and therefore the amounts reported as "redeemed" will be less than the actual redemptions by the amount *in transitu*, and the amounts reported as "outstanding" correspondingly increased.

During the year there were received and filed in this division 1,337,871 redeemed vouchers, amounting to $90,479,030.20, making a total of 122,255,350 redeemed vouchers, amounting to $8,061,037,269.37, on file at the close of the year, as shown by the following table:

CLASSIFICATION, TOTAL NUMBER, AND AMOUNT OF REDEEMED VOUCHERS ON FILE IN THIS DIVISION JUNE 30, 1903.

Classification.	Number of redeemed vouchers.	Amount.
United States coupon bonds, various loans	2,388,902	$1,382,713,340.00
District of Columbia coupon bonds	30,806	11,605,650.00
Louisville and Portland Canal Company coupon bonds	1,597	1,597,000.00
United States redeemed (detached) coupons	109,079,157	1,258,442,020.54
District of Columbia redeemed (detached) coupons	1,015,383	10,139,310.06
Louisville and Portland Canal Company redeemed (detached) coupons	16,349	490,470.00
Seven-thirty Treasury notes, act of July 17, 1861	485,556	140,085,350.00
Seven-thirty Treasury notes, acts of June 30, 1864, and March 3, 1865	3,101,711	829,870,900.00
Gold certificates, act of March 3, 1863, old series, payable to order	194,882	406,502,000.40
Gold certificates, act of July 12, 1882, series of 1888, payable to order	23,215	178,470,000.00
Gold certificates, act of March 14, 1900, series of 1900, payable to order	10,687	106,870,000.00
Certificates of deposit (currency), act of June 8, 1872	157,956	1,473,625,000.00
Certificates of deposit, temporary loan of February 25, 1862	81,829	710,775,300.75
Certificates of indebtedness of 1870, act of July 8, 1870	679	678,362.41
Certificates of indebtedness, acts of March 1 and 17, 1862, and March 3, 1863	247,088	561,750,241.65
Three per cent certificates, acts of March 2, 1867, and June 25, 1868	11,430	85,150,000.00
Refunding certificates, act of February 26, 1879, payable to order	5,843	58,430.00
Redeemed interest checks, United States registered bonds	5,097,425	823,259,174.23
Vouchers for interest on United States registered bonds, prepaid without checks	139	5,391,261.45
Redeemed interest checks on deposits for bonds of the loan of 1908–1918	218,092	200,044.92
Redeemed interest checks, first interest on coupon bonds of the consols of 1930	179	28,351.25
Redeemed interest checks, District of Columbia registered bonds	22,507	11,903,205.96
Redeemed interest checks, Pacific Railroads registered bonds	63,114	60,313,399.68
Redeemed interest checks, Spanish indemnity certificates	747	255,256.01
Redeemed interest checks, Cherokee land certificates	77	863,200.00
Total	122,255,350	8,061,037,269.37

RECOMMENDATIONS.

Many chiefs of division in the Department, charged with the performance of duties of no graver importance and of no larger responsibility than those of the Register's office, are paid $2,200 and $2,250

per annum. It is therefore recommended, in the spirit of fairness, that the chiefs of this office be given an increase of $250 each.

I beg to renew my recommendation of last year, which was in these words:

> As the custodian of the vault in the division of loans of this office, besides his regular work for which he is paid $1,800 per annum, has the immediate control of the Government securities, amounting to many millions, stored in the vault in his charge, and is obliged to keep an account of the outgoing and incoming of the same, an increase in his pay of $100 is recommended. His compensation will then be less by $100 than that of vault keepers of the Department generally. It is also recommended that the principal bookkeeper be given a like increase. His position requires ability of a high order, with great care and constant vigilance in the discharge of its duties. Should this increase be given he will still be paid less than is now paid bookkeepers in other branches of the service.

I also respectfully recommend that the office be given two additional clerks of class 4, in lieu of a like number of class 3. The adoption of this recommendation will enable the restoration to that grade of clerks who were reduced under what is known as "the Dockery Act," and who are doing now the same high-class work as they were when paid as clerks of class 4.

Respectfully submitted. JUDSON W. LYONS,
Register.

The SECRETARY OF THE TREASURY.

REPORT OF COMMISSIONER OF INTERNAL REVENUE.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., November 1, 1903.

SIR: I have the honor to submit the following report of the operations of the Bureau of Internal Revenue for the fiscal year ended June 30, 1903, with a statement, as required by law, of the receipts from the several sources of internal revenue for the months of July, August, and September of the current fiscal year.

The receipts of this Bureau for the fiscal year which ended June 30, 1903, were $230,740,925.22. The total collections of the Internal Revenue Bureau from 1863, the date of its creation, to the close of the present fiscal year amount to $6,560,900,996.21, with an average percentage of cost of collection during this period of 2.86 per cent. The percentage of cost of collection for the fiscal year 1903 is 2.07 per cent.

There are sixty-six collection districts in the territory of the United States subject to internal-revenue laws. No internal-revenue taxes coming into the National Treasury are collected directly in Porto Rico or the Philippine Islands and the Federal Government has no internal-revenue officials in these islands. The Territory of Hawaii constitutes an internal-revenue district, with the collector located at Honolulu.

The Fifth (Peoria) district of Illinois is the banner collection district. Its total receipts for the fiscal year which ended June 30, 1903, amount to $32,413,033.13. The district of Hawaii collected the lowest amount, $40,090.52. The leading States in the payment of internal-revenue taxes for the past fiscal year are, Illinois, $50,562,455.25; Indiana, $28,183,610.08; New York, $26,749,648.18; Kentucky, $21,115,626.21; Ohio, $20,979,333.19; Pennsylvania, $18,890,389.88. Among the States paying small amounts are North and South Dakota, Maine, Vermont, Arkansas, and Idaho.

Collectors of internal revenue, in addition to the forces directly under their control, are assisted by internal revenue agents operating immediately under the control and direction of this Office. These revenue agents, in my judgment, are paid less for their services in proportion to salaries and allowances to officials performing somewhat similar work in other Bureaus of the Treasury Department, in the Post-Office, and other departments than any other employés of the Government.

The receipts of the Bureau for the past fiscal year are some forty-one millions of dollars less than the receipts for the year ending June 30, 1902. This decrease is not due to diminution in the business movements and commercial transactions of the country, but entirely to reduction of internal-revenue taxes under acts of the Congress approved March 2, 1901, and April 12, 1902. Under these laws taxes now imposed are virtually the same as those imposed prior to the Spanish war legislation of June, 1898. The receipts for the first three months of this current fiscal year show a gratifying increase, and this condition can be properly accredited to the prosperous trade conditions which exist throughout the country.

I estimate that the receipts from all sources of internal revenue for the fiscal year ending June 30, 1904, will aggregate $230,000,000. This estimate is predicated upon receipts for the first four months of this fiscal year, and also upon existing trade conditions. Should the present Congress reduce taxation on any objects which are large producers of income under internal-revenue laws, then this estimate naturally will be inaccurate and must be scaled according to the rate of decrease. At the present time there is strong feeling among producers of distilled spirits that the rate of tax should be reduced from $1.10 per proof gallon to 90 or 70 cents per gallon. There is also an outspoken sentiment favoring the withdrawal of alcohol for use in the arts and manufactures without payment of tax. Should the Congress by legislation reduce the present tax rate on distilled spirits or provide for the withdrawal of alcohol without payment of tax for use in the arts and manufactures, there would be some decrease of internal-revenue receipts and a change of estimate made necessary.

By acts of Congress large sums have been refunded for taxes paid under certain provisions for Spanish war legislation. By act of June 27, 1902, the Congress provided for the refund of taxes collected upon bequests or legacies for uses of a religious, literary, charitable, or educational character, and $557,232.53 have been refunded to institutions of this character by reason of this enactment. Various other refunds have been made under remedial statutes, such as taxes paid on contingent beneficial interests, on export bills of lading, and tax on dividends and interests collected under the acts of 1862 and 1864.

Under acts of March 2, 1901, and April 12, 1902, provision was made for payment of a drawback or rebate on all original or unbroken factory packages of smoking and manufactured tobacco, snuff, and cigars held by manufacturers or dealers at the time the decrease in the rate of taxation on these articles became effective. The total number of claims allowed under the act of March 2, 1901, was 49,253, and the amount paid in rebate to November 1, 1903, was $3,110,009.80. Under the act of April 12, 1902, making provision for the payment of similar rebate claims on tobacco and snuff held by manufacturers or dealers on the 1st of July, 1902, on which date the act reducing the rate of tax from 9.6 to 6 cents per pound became effective, 57,969 claims have

been received and considered by this Office and 57,801 allowed, the amount paid in rebate being $4,045,638.32. The preparation and consideration of these claims in the various collectors' offices throughout the United States and by this Office has largely increased the work of the Bureau.

There were received in this Office during the fiscal year 2,583 claims for the refunding of taxes assessed and the redemption of internal-revenue stamps, other than unused documentary and proprietary stamps, amounting to $2,550,820.13, and of the number on hand during the year ended June 30, 1902, and those received during the fiscal year, 1,549 claims amounting to $905,995.70 were allowed, and 902 claims amounting to $745,875.98 were rejected or returned for amendment.

In addition to claims for redemption of stamps, refunding of taxes assessed, or rebate of tax paid on tobacco, presented, there have been filed during the fiscal year ended June 30, 1903, 1,493 claims for abatement of taxes assessed, 1,797 claims for credit to collectors for taxes assessed and found to be uncollectible, and 65 claims for credit to collectors on account of duplicate charges aggregating 3,355 claims amounting to $627,283.04. These claims require the most careful examination and their settlement involves the consideration of their legal status, as well as a careful scrutiny of the amounts presented and testimony submitted. Of these claims pending on the 1st of July, 1902, and filed during the fiscal year, 2,714 claims were allowed, amounting to $292,709.17, and 1,196 claims amounting to $452,252.30 were rejected or returned for amendment.

During the past fiscal year questions connected with the tax on oleomargarine, adulterated butter, and renovated or process butter have occupied a large portion of the time of this Office and of subordinate officials throughout the country. By the act of Congress approved May 9, 1902, taking effect July 1, 1902, a change was made in the rate of tax assessed and to be collected on oleomargarine. Under the original act of 1886 a tax of 2 cents a pound was imposed upon oleomargarine. By the act of May, 1902, a tax of 10 cents a pound was assessed, with the provision that when oleomargarine is free from artificial coloration that causes it to look like butter of any shade of yellow said tax shall be one-fourth of 1 cent per pound. Under the same enactment a tax of 10 cents per pound was placed upon adulterated butter, and a tax of one-fourth of 1 cent per pound on renovated or process butter.

In construing the amendment of May it immediately became necessary for this Office to determine what constituted artificial coloration, the question being submitted in concrete form as to the right of the manufacturer to use artificially colored butter as a component part of oleomargarine, and through artificial coloration in the butter secure a shade of yellow in the finished oleomargarine product. This shade of yellow was also secured by the admixture with cotton-seed oil and other legitimate ingredients of oleomargarine a very small, almost infinitesimal portion of palm oil. It was held by this Office that where by the use of artificially colored butter in the production of oleomargarine, or the use of a very small quantity of palm oil, the finished product looked like butter of any shade of yellow, then the tax of 10 cents a pound must be paid.

Suits have been brought under the assessments made to test the legality of this construction of the law and these cases are now pend-

ing in the Federal courts. One will soon be argued and submitted in the Supreme Court of the United States. In many cases assessments were made by this office, reaching in some instances large sums, against manufacturers of oleomargarine, some of which have been paid either in full, or in part by compromise, by reason of facts disclosed showing the propriety of a reduction of the amount assessed. While this Office believes that its construction of the law is correct, yet a decision by the highest court will be welcomed so that all question of doubt may be solved and the true meaning of the law declared by the final authority.

The work of this Bureau is constantly increasing. During the fiscal year ending June 30, 1902, 96,962 letters were sent out. During the past fiscal year 99,469 were mailed. In 1902 the total production of spirits was 132,843,802 gallons; in 1903, 148,206,875 gallons. In 1902, in round numbers, 104,000,000 gallons of tax-paid spirits were withdrawn; in 1903, 114,000,000. There has been a large increase in the amount of tobacco manufactured and the amount of beer produced. This means an increase of work in the collection districts and in this Office. Appropriations to the Bureau for the payment of the field and local forces have not been enlarged in proportion to the work done, and it is a question with me as to whether economy has not been carried to unwise length in restriction of the number of officials in the service and the compensation paid them.

The objects of internal-revenue taxation producing the largest amount of revenue are distilled spirits, spirits distilled from grain, apples, peaches, etc., fermented liquors, including beer, ale, porter, and other similar fermented liquors, tobacco, including cigars, cigarettes, snuff, and chewing and smoking tobacco. During the past fiscal year there was collected from the tax on distilled spirits $125,862,518.08; on fermented liquors, $46,652,577.14; on tobacco, $43,513,616.85.

The willingness of men to evade payment of taxes and the skill employed by some to accomplish this end are kept constantly before this Bureau through frauds committed and attempted to be committed by certain classes of taxpayers and by willful violation of the revenue statutes. Every effort is made to secure arrest and conviction of these violators of law for the twofold purpose of protecting the revenue, and also to protect honest taxpayers whose tax-paid goods are forced into competition in the markets with nontax-paid goods produced and offered by the dishonest.

The great majority of distillers, brewers, tobacco and cigar manufacturers, producers of oleomargarine, and indeed those engaged in all pursuits subject to internal-revenue inspection and control, are honest and cooperate most heartily with this Department in securing observance of law by proper regulations, by thorough inspection, and by prosecution of the guilty. Notwithstanding increase in population and love of unlawful gain prevalent at all times and among all people, I am of opinion that the amount of fraud against and violations of internal-revenue laws are diminishing and that observance of and obedience to these laws are being more thoroughly recognized than heretofore.

In the prosecution of those charged with offenses, and in civil suits to recover amounts due the Government under internal-revenue laws, the Department of Justice, through its district attorneys and other officials, renders constant and most capable service, and I desire to express my appreciation of these services and testify to the compe-

tency and fidelity shown by the large majority of the officials of this Office, and also those engaged in field work. Passing now to a detailed statement of the Bureau's work, I call attention first to the receipts for the first three months of the current fiscal year.

RECEIPTS FOR FIRST THREE MONTHS, CURRENT FISCAL YEAR.

The following table shows the receipts from the several objects of taxation for the first three months of the fiscal years ending June 30, 1903 and 1904. A comparison of the receipts for the two periods is also given:

Objects of taxation.	Amount of tax paid during first 3 months of fiscal year—		Increase.	Decrease.
	1903.	1904.		
SPIRITS.				
Spirits distilled from apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, prunes, figs, or cherries	$321,793.72	$352,573.26	$30,779.54	
Spirits distilled from materials other than apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, prunes, figs, or cherries	27,925,956.51	28,741,505.07	815,548.56	
Rectifiers (special tax)	142,037.60	139,316.72		82,720.88
Retail liquor dealers (special tax)	3,101,001.07	3,064,814.65		36,186.42
Wholesale liquor dealers (special tax)	316,451.73	313,884.13		2,567.60
Manufacturers of stills (special tax)	658.36	700.00	41.64	
Stills and worms manufactured (special tax)	900.00	860.00		40.00
Stamps for distilled spirits intended for export	534.10	662.30	128.20	
Case stamps for distilled spirits, bottled in bond	4,890.30	11,218.00	6,327.70	
Total	31,814,223.39	32,625,534.13	811,310.74	
TOBACCO.				
Cigars weighing more than 3 pounds per thousand	5,140,936.96	5,412,295.63	271,358.67	
Cigars weighing not more than 3 pounds per thousand	102,285.85	67,037.49		35,248.36
Cigarettes weighing not more than 3 pounds per thousand, 36 cents per pound	706,163.21	793,787.84	87,624.63	
Cigarettes weighing not more than 3 pounds per thousand, 18 cents per pound	77,646.57	73,915.47		3,731.10
Cigarettes weighing more than 3 pounds per thousand	8,596.08	6,141.30		2,454.78
Snuff	242,127.95	295,107.35	52,979.40	
Tobacco, chewing and smoking	4,666,792.52	4,811,297.23	144,504.71	
Miscellaneous collections relating to tobacco	176.90	279.17	102.27	
Total	10,944,726.04	11,459,861.48	515,135.44	
FERMENTED LIQUORS.				
Ale, beer, lager beer, porter, and other similar fermented liquors	14,098,383.81	14,679,345.42	580,961.61	
Brewers (special tax)	94,979.17	89,160.46		5,818.71
Retail dealers in malt liquors (special tax)	171,731.71	152,953.62		18,778.09
Wholesale dealers in malt liquors (special tax)	260,303.65	264,600.38	4,296.73	
Miscellaneous collections relating to fermented liquors	2,070.14	25.84		2,044.30
Total	14,627,468.48	15,186,085.72	558,617.24	
OLEOMARGARINE.				
Oleomargarine, domestic, artificially colored in imitation of butter	9,247.92	36,362.39	27,114.47	
Oleomargarine free from coloration that causes it to look like butter of any shade of yellow	33,718.71	25,477.19		8,241.52
Oleomargarine imported from foreign countries	4.55	2,708.65	2,704.10	
Manufacturers of oleomargarine (special tax)	11,050.00	11,625.00	575.00	

RECEIPTS FOR FIRST THREE MONTHS, ETC.—Continued.

Objects of taxation.	Amount of tax paid during first 3 months of fiscal year—		Increase.	Decrease.
	1903.	1904.		
OLEOMARGARINE—continued.				
Retail dealers in oleomargarine artificially colored in imitation of butter (special tax)	$59,741.00	$12,643.25		$47,097.75
Retail dealers in oleomargarine free from artificial coloration (special tax)	46,990.15	49,473.55	$2,483.40	
Wholesale dealers in oleomargarine artificially colored in imitation of butter (special tax)	20,760.00	6,060.00		14,700.00
Wholesale dealers in oleomargarine free from artificial coloration (special tax)	21,233.34	36,111.18	14,877.84	
Total	202,745.67	180,461.21		22,284.46
ADULTERATED BUTTER AND PROCESS OR RENOVATED BUTTER.				
Adulterated butter manufactured or sold, etc				
Process or renovated butter manufactured or sold, etc	25,949.26	26,011.79	62.53	
Manufacturers of process or renovated butter (special tax)	2,462.51	2,656.26	193.75	
Manufacturers of adulterated butter (special tax)				
Retail dealers in adulterated butter (special tax)				
Wholesale dealers in adulterated butter (special tax)				
Total	28,411.77	28,668.05	256.28	
MISCELLANEOUS.				
Filled cheese				
Mixed flour	957.38	672.05		285.33
Playing cards	76,777.56	75,583.58		1,193.98
Penalties	38,378.49	52,491.50	14,113.01	
Collections not otherwise herein provided for	2,091,080.97	a 991,878.55		1,099,202.42
Total	2,207,194.40	1,120,625.68		1,086,568.72
Aggregate receipts	59,824,769.75	60,601,236.27	776,466.52	

a Includes $956,676.09 from legacies on which the tax had accrued prior to the repeal of the act.

COST OF COLLECTION.

The cost of collection for the past fiscal year, distributed among the different items of appropriation, was approximately as follows:

For salaries and expenses of collectors, including pay of deputy collectors, clerks, etc	$1,625,668.07
For salaries and expenses of deputy collectors under act of June 13, 1898	364,079.15
For salaries and expenses of agents under act of June 13, 1898	52,778.05
For salaries of clerks, office of the Commissioner of Internal Revenue, under act of June 13, 1898	108,575.34
For salaries and expenses of revenue agents, gaugers, storekeepers, and storekeeper-gaugers, and miscellaneous expenses	2,204,659.16
For paper for internal-revenue stamps	75,505.69
For expenses of detecting and punishing violations of internal-revenue laws	76,139.96
For salaries of officers, clerks, and employees in the office of Commissioner of Internal Revenue	263,783.08
Total amount expended	4,771,188.50
For salaries and expenses under act approved April 22, 1902	8,111.93

ESTIMATED EXPENSES FOR NEXT FISCAL YEAR.

I estimate the expenses of the Internal-Revenue Service for the fiscal year ending June 30, 1905, as follows:

For salaries and expenses of collectors, including pay of deputy collectors and surveyors and clerks, and new districts, including the oleomargarine act, approved May 9, 1902, and other expenses	$1,900,000
For salaries of clerks and other employees in office Commissioner of Internal Revenue; salaries and expenses of 20 additional revenue agents, and for other purposes, made necessary by the acts repealing the act of June 13, 1898, rebates, redemption of stamps, and other expenses	250,000
For salaries and expenses of 20 revenue agents, for fees and expenses of gaugers, for salaries of storekeepers, and for miscellaneous expenses	2,200,000
For paper for internal-revenue stamps	70,000
For detecting and bringing to trial and punishment persons guilty of violating the internal-revenue laws, including payment for information and detection	100,000
For salaries, officers, clerks, and employees in the office of Commissioner of Internal Revenue	264,340
Total	4,784,340

In presenting the estimate of the expenses of this Bureau for the next fiscal year (1905), to wit, $4,784,340, every effort has been made to provide for due and proper economy. Though this rule has been observed, it is believed that reduction of cost of collection may be extended to a point where it leads to detriment of the service, to loss of revenue, to public inconvenience, and ill temper.

SCALE OF SALARIES OF COLLECTORS.

The recommendations made for the salaries of collectors are based upon an estimate of their probable collections according to the following scale, with the qualifications that if the actual collections should vary from the amounts estimated, the salaries will be readjusted at the end of the fiscal year:

For collection of—	Salary.	For collection of—	Salary.
$25,000 or less	$2,000	$375,001 to $425,000	$3,375
25,001 to $37,500	2,125	425,001 to 475,000	3,500
37,501 to 50,000	2,250	475,001 to 550,000	3,625
50,001 to 75,000	2,375	550,001 to 625,000	3,750
75,001 to 100,000	2,500	625,001 to 700,000	3,875
100,001 to 125,000	2,625	700,001 to 775,000	4,000
125,001 to 175,000	2,750	775,001 to 850,000	4,125
175,001 to 225,000	2,875	850,001 to 925,000	4,250
225,001 to 275,000	3,000	925,001 to 1,000,000	4,375
275,001 to 325,000	3,125	1,000,001 and upward	4,500
325,001 to 375,000	3,250		

In addition to the salary based upon the above-mentioned scale, the collector shall receive a commission of one-half of 1 per cent on tax-paid spirit stamps, and may receive additional compensation on account of territorial extent, as provided by law, provided the gross compensation does not exceed $4,500. (See secs. 3148 and 3314, Rev. Stats.)

INTERNAL-REVENUE RECEIPTS DURING THE LAST TWO FISCAL YEARS.

COMPARATIVE STATEMENT SHOWING THE RECEIPTS FROM THE SEVERAL OBJECTS OF INTERNAL TAXATION IN THE UNITED STATES DURING THE FISCAL YEARS ENDED JUNE 30, 1902 AND 1903.

Objects of taxation.	Receipts during fiscal years ended June 30—		Increase.	Decrease.
	1902.	1903.		
SPIRITS.				
Spirits distilled from apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, prunes, figs, and cherries	$1,543,524.72	$1,666,579.34	$123,054.62	.....
Spirits distilled from materials other than apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, prunes, figs, and cherries	113,741,591.18	124,195,938.74	10,454,347.56	.....
Rectifiers (special tax)	288,771.84	298,221.44	9,449.60	.....
Retail liquor dealers (special tax)	5,043,097.00	5,220,656.82	177,559.82	.....
Wholesale liquor dealers (special tax)	496,482.88	540,535.70	44,052.82	.....
Manufacturers of stills (special tax)	1,110.01	1,042.75	.....	$67.26
Stills and worms manufactured (special tax)	3,040.00	2,721.00	.....	319.00
Stamps for distilled spirits intended for export	3,233.40	1,840.20	.....	1,393.20
Case stamps for distilled spirits bottled in bond	17,162.10	25,936.40	8,774.30	.....
Total	121,138,013.13	131,953,472.39	10,815,459.26	.....
TOBACCO.				
Cigars weighing more than 3 pounds per thousand	18,311,142.25	20,359,171.60	2,048,029.35	.....
Cigars weighing not more than 3 pounds per thousand	410,903.48	345,869.93	.....	65,033.55
Cigarettes weighing not more than 3 pounds per thousand, 36 cents per pound	2,457,550.86	2,743,594.89	286,044.03	.....
Cigarettes weighing not more than 3 pounds per thousand, 18 cents per pound	198,424.02	265,425.17	67,001.15	.....
Cigarettes weighing more than 3 pounds per thousand	31,164.67	[a] 29,041.06	.....	2,123.61
Snuff	1,696,429.02	[b] 1,130,455.00	.....	565,974.02
Tobacco, chewing and smoking	28,612,644.15	[c] 18,640,059.20	.....	9,972,584.95
Miscellaneous collections relating to tobacco	[d] 219,666.74	1,193.39	.....	218,473.35
Total	51,937,925.19	43,514,810.24	.....	8,423,114.95
FERMENTED LIQUORS.				
Ale, beer, lager beer, porter, and other similar fermented liquors	71,166,711.65	[e] 46,652,577.14	.....	24,514,134.51
Brewers (special tax)	167,826.36	163,933.48	.....	3,892.88
Retail dealers in malt liquors (special tax)	241,456.87	270,452.18	28,995.31	.....
Wholesale dealers in malt liquors (special tax)	404,993.94	458,647.31	53,653.37	.....
Miscellaneous collections relating to fermented liquors	7,913.57	2,245.97	.....	5,667.60
Total	71,988,902.39	47,547,856.08	.....	24,441,046.31

[a] Includes $7.50, at $3.60 per thousand.
[b] Includes $27.12, at 9⅘ cents per pound.
[c] Includes $2,082.34, at 9⅕ cents per pound.
[d] Special taxes of dealers in leaf and manufactured tobacco, manufacturers of tobacco and cigars etc., repealed July 1, 1902.
[e] Includes $4,924.85, at $1.60 per barrel.

COMPARATIVE STATEMENT SHOWING THE RECEIPTS FROM THE SEVERAL OBJECTS OF INTERNAL TAXATION IN THE UNITED STATES, ETC.—Continued.

Objects of taxation.	Receipts during fiscal years ended June 30—		Increase.	Decrease.
	1902.	1903.		
OLEOMARGARINE.				
Oleomargarine, domestic, artificially colored in imitation of butter	[a] $2,462,532.72	[b] $252,044.48		$2,190,488.24
Oleomargarine, free from coloration that causes it to look like butter of any shade of yellow		171,227.48	$171,227.48	
Oleomargarine imported from foreign countries	1,082.51	3,286.86	2,204.35	
Manufacturers of oleomargarine (special tax)	19,500.00	19,900.00	400.00	
Retail dealers in oleomargarine artificially colored in imitation of butter (special tax)	[c] 377,732.23	73,638.25		304,093.98
Retail dealers in oleomargarine free from artificial coloration (special tax)		107,159.36	107,159.36	
Wholesale dealers in oleomargarine artificially colored in imitation of butter (special tax)	[d] 83,645.00	30,538.16		53,106.84
Wholesale dealers in oleomargarine free from artificial coloration (special tax)		58,988.72	58,988.72	
Total	2,944,492.46	736,783.31		2,207,709.15
FILLED CHEESE.				
Filled cheese, domestic and imported		5,711.93	5,711.93	
Manufacturers of filled cheese (special tax)		733.33	733.33	
Retail dealers in filled cheese (special tax)	24.00			24.00
Wholesale dealers in filled cheese (special tax)				
Total	24.00	6,445.26	6,421.26	
MIXED FLOUR.				
Per barrel of 196 pounds, or more than 98 pounds	12.44	21.06	8.62	
Half barrel of 98 pounds, or more than 49 pounds	1,244.86	1,088.81		156.05
Quarter barrel of 49 pounds, or more than 24½ pounds	145.02	51.61		93.41
Eighth barrel of 24½ pounds or less	310.53	205.46		105.07
Manufacturers, packers, or repackers of mixed flour (special tax)	500.00	428.56		71.44
Total	2,212.85	1,795.50		417.35
ADULTERATED BUTTER AND PROCESS OR RENOVATED BUTTER.				
Adulterated butter manufactured or sold, etc		[e] 124.60	124.60	
Process or renovated butter manufactured or sold, etc		147,929.56	147,929.56	
Manufacturers of process or renovated butter (special tax)	[f] 500.00	3,468.81	2,968.81	
Manufacturers of adulterated butter (special tax)				
Retail dealers in adulterated butter (special tax)		36.00	36.00	
Wholesale dealers in adulterated butter (special tax)				
Total	500.00	151,558.97	151,058.97	

[a] Oleomargarine; no restrictions as to color in the law in force prior to July 1, 1902.
[b] Includes $102.24 at 2 cents, and $271,942.24 at 10 cents per pound.
[c] Includes $367,844.23 under repealed law, and $9,888 advance collections under present law.
[d] Includes $79,765 under repealed law, and $3,880 advance collections under present law.
[e] Collections from adulterated butter seized and disposed of under section 3460.
[f] Advance collections under act of May 9, 1902.

COMPARATIVE STATEMENT SHOWING THE RECEIPTS FROM THE SEVERAL OBJECTS OF INTERNAL TAXATION IN THE UNITED STATES, ETC.—Continued.

Objects of taxation.	Receipts during fiscal years ended June 30—		Increase.	Decrease.
	1902.	1903.		
BANKS, BANKERS, ETC.				
Bank circulation	$227.50			$227.50
Notes of persons, State banks, towns, cities, etc., paid out		$899.50	$899.50	
Total	227.50	899.50	672.00	
MISCELLANEOUS.				
Playing cards	364,677.72	422,580.32	57,902.60	
Penalties	208,209.05	148,414.07		59,794.98
Collections not otherwise herein provided for	[a] 23,282,805.96	[b] 6,256,309.58		17,026,496.38
Total	23,855,692.73	6,827,303.97		17,028,388.76
Aggregate receipts	271,867,990.25	230,740,925.22		41,127,065.03

[a] Special taxes, legacies, Schedules A and B, excise tax, etc., repealed July 1, 1902.
[b] Includes $5,356,774.90 from legacies on which the tax had accrued prior to the repeal of the act.

WITHDRAWALS FOR CONSUMPTION DURING THE LAST TWO FISCAL YEARS.

The quantities of distilled spirits, fermented liquors, manufactured tobacco, snuff, cigars, cigarettes, oleomargarine, filled cheese, adulterated butter, and process or renovated butter on which tax was paid during the last two fiscal years are as follows:

Articles taxed.	Fiscal years ended June 30—		Increase.	Decrease.
	1902.	1903.		
Spirits distilled from apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, prunes, figs, and cherries.....gallons..	1,403,204	1,515,072	111,868	
Spirits distilled from materials other than apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, prunes, figs, and cherries.....gallons..	103,401,447	112,905,399	9,503,952	
Fermented liquors.....barrels..	44,478,832	[a] 46,650,730	2,171,898	
Cigars, weighing more than 3 pounds per thousand.....number..	6,103,567,265	6,786,390,533	682,823,268	
Cigars, weighing not more than 3 pounds per thousand.....number..	760,932,370	640,499,870		120,432,500
Cigarettes, weighing not more than 3 pounds per thousand.....number..	2,642,961,944	[b] 3,031,893,732	388,931,788	
Cigarettes, weighing more than 3 pounds per thousand.....number..	8,656,853	[c] 9,679,936	1,023,083	
Snuff.....pounds..	17,671,136	[d] 18,840,747	1,169,611	
Tobacco, chewing and smoking.....do....	298,048,339	[e] 310,651,639	12,606,300	
Oleomargarine.....do....	123,133,853	[f] 71,237,438		51,896,415
Filled cheese.....do....		571,193	571,193	
Adulterated butter.....do....		[g] 1,246	1,246	
Process or renovated butter.....do....		59,171,824	59,171,824	

[a] Includes 3,078 barrels, at $1.60 per barrel.
[b] Includes 491,528,093, at 54 cents per thousand.
[c] Includes 2,083, at $3.60 per thousand.
[d] Includes 282 pounds, at 9⅜ cents per pound.
[e] Includes 21,691 pounds, at 9⅜ cents per pound.
[f] Includes 5,112, at 2 cents; 2,719,422, at 10 cents; 68,490,992, at one-fourth of 1 cent, and 21,912, at 15 cents per pound.
[g] Adulterated butter seized and disposed of under section 3460.

NOTE.—The quantity of mixed flour withdrawn can not be stated, owing to the variable number of pounds taxed.

AGGREGATE COLLECTIONS MADE AND REPORTED TO THE COMMISSIONER OF INTERNAL REVENUE BY THE COLLECTORS OF THE SEVERAL COLLECTION DISTRICTS DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

Collection districts.	Names of collectors.	Aggregate collections.
District of Alabama	Julian H. Bingham	$158,947.48
Do	Joseph O. Thompson	164,188.14
District of Arkansas	Harmon L. Remmel	9,255.71
Do	Frank W. Tucker	100,066.58
First California	John C. Lynch	2,688,237.47
Fourth California	Henry C. Bell	381,752.84
District of Colorado	Frank W. Howbert	568,713.37
District of Connecticut	W. Frank Kinney	1,865,550.10
District of Florida	Joseph E. Lee	719.400739
District of Georgia	Henry A. Rucker	425,591.16
District of Hawaii	Roy H. Chamberlain	40,090.52
First Illinois	Henry L. Hertz	6,641,445.06
Fifth Illinois	Percival G. Rennick	32,413,033.13
Eighth Illinois	Isaac R. Mills	10,967,282.83
Thirteenth Illinois	William H. Powell	540,694.23
Sixth Indiana	Ambrose E. Nowlin	9,405,386.18
Seventh Indiana	John R. Bonnell	18,778,223.90
Third Iowa	John W. Patterson	75,996.54
Do	James U. Sammis	299,743.06
Fourth Iowa	John M. Kemble	80,446.08
Do	Harry O. Weaver	379,302.22
District of Kansas	James M. Simpson	311,403.23
Second Kentucky	Edward T. Franks	1,536,508.32
Fifth Kentucky	Joseph A. Craft	11,459,053.57
Sixth Kentucky	George W. Lieberth	3,172,682.01
Seventh Kentucky	Samuel J. Roberts	2,671,132.38
Eighth Kentucky	James Denton	2,276,249.93
District of Louisiana	Louis J. Souer	259,566.52
Do	William E. Howell	2,631,081.65
District of Maryland	Phillips Lee Goldsborough	5,612,791.16
District of Massachusetts	James D. Gill	3,567,075.54
First Michigan	Charles Wright	2,659,264.76
Do	David Meginnity	716,591.01
Fourth Michigan	Samuel M. Lemon	668,462.17
District of Minnesota	Frederick von Baumbach	1,465,570.62
First Missouri	Ben. Westhus	7,970,570.80
Sixth Missouri	Frank D. Roberts	977,976.33
District of Montana	Edward H. Callister	436,378.93
District of Nebraska	Elmer B. Stephenson	2,343,931.26
District of New Hampshire	James A. Wood	591,025.13
First New Jersey	Isaac Moffett	378,493.21
Fifth New Jersey	H. C. H. Herold	5,619,565.77
District of New Mexico	Alexander L. Morrison	78,971.41
First New York	Edward B. Jordan	4,238,649.74
Second New York	Charles H. Treat	3,683,679.26
Third New York	Ferdinand Eidman	8,388,551.73
Fourteenth New York	John G. Ward	6,252,886.40
Twenty-first New York	Charles C. Cole	1,474,770.85
Do	Peter E. Garlick	529,043.07
Twenty eighth New York	Archie D. Sanders	2,182,117.13
Fourth North Carolina	Edward C. Duncan	2,035,423.03
Fifth North Carolina	Herschel S. Harkins	2,212,918.04
District of North and South Dakota	Herman Ellerman	127,450.42
First Ohio	Bernhard Bettmann	16,497,736.76
Tenth Ohio	George P. Waldort	1,419,727.78
Eleventh Ohio	John C. Entrekin	1,202,326.16
Eighteenth Ohio	Frank McCord	1,859,542.49
District of Oregon	David M. Dunne	392,796.42
First Pennsylvania	William McCoach	6,187,460.96
Ninth Pennsylvania	Henry L. Hershey	3,059,263.18
Twelfth Pennsylvania	Thomas F. Penman	1,180,715.66
Twenty-third Pennsylvania	Daniel B. Heiner	8,462,950.08
District of South Carolina	George R. Koester	557.45
Do	George H. Huggins (acting)	25,538.31
Do	Micah J. Jenkins	590,704.57
Second Tennessee	Alonzo J. Tyler	409,400.70
Fifth Tennessee	John E. McCall	1,251,899.45
Third Texas	Webster Flanagan	477,511.28
Fourth Texas	Philemon B. Hunt	190,158.94
Second Virginia	Asa Rogers	2,335,342.68
Sixth Virginia	Park Agnew	1,097,906.83
District of Washington	Benjamin D. Crocker	419,970.33
District of West Virginia	Thomas E. Davis	1,114,230.78
First Wisconsin	Henry Fink	6,552,985.85
Second Wisconsin	James G. Monahan	779,066.16
Aggregate collections		230,740,925.22

RECEIPTS, BY STATES AND TERRITORIES, DURING THE LAST FISCAL YEAR.

AGGREGATE COLLECTIONS OF INTERNAL REVENUE, BY STATES AND TERRITORIES, DURING THE FISCAL YEAR ENDED JUNE 30, 1903.

States and Territories.	Aggregate collections.	States and Territories.	Aggregate collections.
Alabama	$323,135.62	Nebraska	$2,343,931.26
Arkansas	109,322.32	New Hampshire [h]	591,025.13
California [a]	3,069,990.31	New Jersey	5,998,058.98
Colorado [b]	568,713.37	New Mexico [i]	78,971.41
Connecticut [c]	1,865,550.10	New York	26,749,648.18
Florida	719,400.39	North Carolina	4,248,341.07
Georgia	425,591.16	North and South Dakota	127,450.42
Hawaii	40,090.52	Ohio	20,979,333.19
Illinois	50,562,455.25	Oregon	392,796.42
Indiana	28,183,610.08	Pennsylvania	18,890,389.88
Iowa	835,487.90	South Carolina	616,800.33
Kansas [d]	311,403.23	Tennessee	1,661,300.15
Kentucky	21,115,626.21	Texas	667,670.22
Louisiana [e]	2,890,648.17	Virginia	3,433,249.51
Maryland [f]	5,612,791.16	Washington [k]	419,970.33
Massachusetts	2,567,075.54	West Virginia	1,114,230.78
Michigan	4,044,317.94	Wisconsin	7,332,052.01
Minnesota	1,465,570.62		
Missouri	8,948,547.13	Total	230,740,925.22
Montana [g]	436,378.93		

[a] Including the State of Nevada.
[b] Including the State of Wyoming.
[c] Including the State of Rhode Island.
[d] Including the Indian Territory and the Territory of Oklahoma.
[e] Including the State of Mississippi.
[f] Including the State of Delaware, District of Columbia, and two counties of Virginia.
[g] Including the States of Idaho and Utah.
[h] Including the States of Maine and Vermont.
[i] Including the Territory of Arizona.
[k] Including the Territory of Alaska.

NOTE.—The State of Washington and the Territory of Alaska formed a part of the district of Oregon until September 1, 1902, at which time they were detached therefrom and constituted a collection district to be known as the district of Washington.

AMOUNT OF INTERNAL REVENUE COLLECTED IN THE SEVERAL STATES, TERRITORIES, ETC., THAT HAVE BEEN CONSOLIDATED WITH OTHER DISTRICTS FOR THE FISCAL YEAR ENDED JUNE 30, 1903.

States, Territories, etc.	Amount collected.	States, Territories, etc.	Amount collected.
Alaska	$17,494.58	New Hampshire	$482,361.71
Arizona	45,052.56	New Mexico	33,918.85
California	3,041,537.33	North Dakota	33,029.29
California, Fourth district of	353,299.86	Oklahoma Territory	59,128.34
Colorado	543,748.11	Oregon	203,288.57
Connecticut	1,079,713.01	Rhode Island	785,837.09
Delaware	160,144.90	South Dakota	94,421.13
District of Columbia	279,711.55	Utah	117,797.41
Idaho	42,675.42	Vermont	29,865.82
Indian Territory	7,036.41	Virginia	3,430,529.41
Kansas	245,238.48	Virginia—two counties of Accomac and Northampton, belonging to collection district of Maryland	2,720.10
Louisiana	2,872,444.78		
Maine	78,797.60		
Maryland	5,170,214.61		
Mississippi	18,203.39	Washington	592,033.60
Montana	275,906.10	Wyoming	24,965.26
Nevada	28,452.98		

RECEIPTS FOR THE PAST TEN FISCAL YEARS.

Fiscal year ended—	
June 30, 1903	$230, 740, 925. 22
June 30, 1902	271, 867, 990. 25
June 30, 1901	306, 871, 669. 42
June 30, 1900	295, 316, 107. 57
June 30, 1899	273, 484, 573. 44
June 30, 1898	170, 866, 819. 36
June 30, 1897	146, 619, 593. 47
June 30, 1896	146, 830, 615. 66
June 30, 1895	143, 246, 077. 75
June 30, 1894	147, 168, 449. 70

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JOHN W. YERKES,
Commissioner of Internal Revenue.

REPORT

OF THE

SECRETARY OF WAR.

WAR DEPARTMENT,
Washington, D. C., December 7, 1903.

To the PRESIDENT:

I have the honor to submit the following report of operations of this Department for the past year.

On the 1st of December, 1902, the date of the last annual report, the Army of the United States, according to the latest reports which had been received from the military departments, consisted of 3,586 officers and 66,003 enlisted men, a total of 69,589. In addition, there were in the service 3,598 men of the Hospital Corps excluded by the act of March 1, 1887, from classification as part of the enlisted force of the Army. There were also in the service 182 volunteer medical officers, 100 officers and 4,978 enlisted men of the Philippine Scouts, and 29 officers and 840 enlisted men of the Porto Rico Regiment.

At that time I reported an order made on the 24th of October, 1902, providing for a further reduction of the Army to the minimum strength allowed by law, except as to the organizations which were to be kept at full strength for instruction purposes at Leavenworth and Riley, and the Legation Guard at Peking. That order has been executed during the year by permitting enlistments to run out without filling the vacancies.

At the date of the last reports received from the military departments, October 15, 1903, the actual strength of the Regular Army was 3,681 officers and 55,500 enlisted men, distributed as follows:

Country.	Officers.	Enlisted men.	Total.
United States	2,764	39,068	41,832
Philippine Islands	843	14,667	15,510
Cuba	24	695	719
Porto Rico	8	204	212
Hawaiian Islands	9	188	197
China	4	147	151
Alaska	29	531	560
Total	3,681	55,500	59,181

The distribution among the different branches of the service was as follows:

	Officers.	Enlisted men.	Total.
General officers and staff organizations	880	2,963	3,848
Cavalry	731	11,448	12,179
Artillery Corps	631	15,839	16,470
Infantry	1,439	23,115	24,554
Recruits and miscellaneous detachments		2,130	2,130
Grand total	3,681	55,500	59,181

There were also in the service 26 officers and 520 enlisted men of the Porto Rico Regiment, 99 officers and 4,805 enlisted Philippine Scouts, and 2,807 hospital corps men.

These figures show a total net decrease during the year of 11,978.

The Acting Adjutant-General reports that the number of enlisted men who will be entitled to increased pay for length of service during the next fiscal year—that is to say, the men who will be serving under reenlistment after the expiration of one or more terms of service—will be 37,765, and of these 19,173 will have had a continuous service of five years and upward.

The total number of enlistments in the Army during the year ending June 30, 1903 (not including Hospital Corps and Philippine Scouts), was 18,291. Of these, 6,906 were reenlistments and 11,385 were new enlistments; 15,537 were native born, 2,737 were of foreign birth, and 17 were born in Porto Rico. Of those enlisted in the United States, 17,469 were white, 793 colored, and 12 Indian. Five hundred and seventy-seven were enlisted for staff departments and 17,714 for the line. The reports show that these 17,714 were selected from 91,970 applicants, of whom 74,256 were rejected. Of these, 1,536 were rejected as aliens and 2,648 as illiterates.

The aggregate of all enlistments and reenlistments during the year, including the Hospital Corps and Philippine Scouts, was 19,917.

HEALTH, SUPPLIES, AND DISCIPLINE.

The health of the Army has been good, except during an epidemic of cholera in the Philippines, which occurred in the early part of the year, and is now ended. The detailed reports for 1902 show a total death rate, from all causes, of 15.49 men for each thousand of strength; 3.54 per thousand of these died of cholera, so that, including the victims of cholera, the record is 1.55 per thousand worse than the record of 1901, and, excluding them, it is 1.99 per thousand better than the record of 1901.

The reports of the generals commanding and of the inspectors-general show that the food and clothing furnished have been satisfactory, and

the arms and equipments of good quality. The transportation of troops and supplies has been promptly and effectively accomplished. The officers charged with maintaining the discipline and morale of the Army have had to contend with the relaxation of orderly habits, which always results from active military operations, and with the injurious effects produced at a large number of posts by the abolition of the canteen; and the burden of the older and more experienced officers has been increased by the fact that so large a proportion of the junior officers brought in upon the enlargement of the Army were necessarily without much military experience. It is evident, however, that throughout the Army there has been during the year very active and faithful work. In many organizations a very high standard of discipline has been attained, and in all very gratifying progress has been made.

ORGANIZATION OF THE GENERAL STAFF.

The important military event of the year affecting the Regular Army has been the reorganization of the system of military control under the general staff act approved February 14, 1903. For more convenient reference a copy of that act is annexed hereto as Appendix A. This act abolished the separate office of General Commanding the Army, provided for a military Chief of Staff to the President, who, acting under the directions of the President, or of the Secretary of War representing him, should have supervision not only of all troops of the line but of the special staff and supply departments which had theretofore reported directly to the Secretary of War; and it created for the assistance of the Chief of Staff a corps of 44 officers, who were relieved from all other duties. The function of this new corps is described by the statute in the following words:

> SEC. 2. That the duties of the General Staff Corps shall be to prepare plans for the national defense and for the mobilization of the military forces in time of war; to investigate and report upon all questions affecting the efficiency of the Army and its state of preparation for military operations; to render professional aid and assistance to the Secretary of War and to general officers and other superior commanders, and to act as their agents in informing and coordinating the action of all the different officers who are subject, under the the terms of this act, to the supervision of the Chief of Staff; and to perform such other military duties not otherwise assigned by law as may be from time to time prescribed by the President.

Although, by its terms, the act was not to take effect until the 15th of August, 1903, it was obvious that this radical change in the administration of military affairs, and the adjustment of the new machinery to the old machinery which had been in operation for many years, would require a vast number of details to be worked out experimentally and upon full consideration by all the officers whose duties were affected. A board was accordingly convened in March to recommend selections for the new corps. It consisted of Generals

Young, Chaffee, John C. Bates, Carter, Bliss, and Randolph, and Maj. Henry A. Greene, as recorder. The board was required under oath to recommend 42 officers for detail upon their merits as exhibited by their military records. The order which convened the board also provided that vacancies occurring in the General Staff Corps, after its organization, should be filled upon the recommendation of a permanent board consisting of the Chief of Staff and the three senior officers of the General Staff Corps on duty at the War Department, operating in a similar manner. A copy of the order is annexed hereto, marked "Appendix B."

The three general officers of the Staff were selected by the President without action of a board.

Upon the report of this board its recommendations were approved without change, and the officers selected were ordered to Washington to report to General Young, who was to be the first Chief of Staff. They were then organized as an experimental or provisional general staff, and directed to work out a permanent organization and distribution of duties for the General Staff Corps, a draft of new regulations, and a revision of the old regulations made necessary by the new departure. This work was done upon full consultation with the chiefs of bureaus and taking the opinions of general officers commanding departments, and was accompanied by reference to the provisional staff organization of many tasks and problems to be worked out which were appropriate for General Staff action, in order that they might become familiar with their work, and test by experiment the best methods of accomplishing it. In this way when the act took effect on the 15th of August the General Staff was ready to enter upon the discharge of its duties with a fully considered organization, distribution of duties and regulations, and a considerable familiarity with the new duties which its members were to perform.

The regulations which govern the operation of the new corps were adopted on the 3d of August, and are annexed hereto marked "Appendix C." They divide the corps into the War Department General Staff and the General Staff serving with troops (that is to say, in time of peace with the generals commanding geographical departments), and they prescribe the duties and relations of each of the two classes.

The tenth article of the regulations relating to the Chief of Staff states explicitly the new theory of control inaugurated by the General Staff Act. It will be remembered that our old plan of army administration was that there should be a General Commanding the Army in peace as well as in war, responsible for the efficiency, discipline, and conduct of the troops, but having no control over finances or the departments of supply and transportation; and that there should be a Secretary of War controlling the finances and the money-spending

bureaus, but not commanding the Army or responsible for the conduct of purely military affairs; and it will be remembered that the result of attempting to work upon that theory of dual and separate responsibility was almost constant discord and a consequent reduction of efficiency. The new theory is stated by the regulation, as follows:

CHIEF OF STAFF.

RELATIONS AND SELECTION.

10. Under the act of February 14, 1903, the command of the Army of the United States rests with the constitutional Commander in Chief, the President. The President will place parts of the Army, and separate armies whenever constituted, under commanders subordinate to his general command; and, in case of exigency seeming to him to require it, he may place the whole Army under a single commander subordinate to him; but in time of peace and under ordinary conditions the administration and control of the Army are effected without any second in command.

The President's command is exercised through the Secretary of War and the Chief of Staff. The Secretary of War is charged with carrying out the policies of the President in military affairs. He directly represents the President and is bound always to act in conformity to the President's instructions. Under the law and the decisions of the Supreme Court his acts are the President's acts, and his directions and orders are the President's directions and orders.

The Chief of Staff reports to the Secretary of War, acts as his military adviser, receives from him the directions and orders given in behalf of the President, and gives effect thereto in the manner hereinafter provided.

Exceptions to this ordinary course of administration may, however, be made at any time by special direction of the President if he sees fit to call upon the Chief of Staff to give information or advice, or receive instructions, directly.

Wherever in these regulations action by the President is referred to, the action of the President through the Secretary of War is included, and wherever the action of the Secretary of War is referred to, the Secretary of War is deemed to act as the representative of the President and under his directions.

The Chief of Staff is detailed by the President from officers of the Army at large not below the grade of brigadier-general. The successful performance of the duties of the position requires what the title denotes—a relation of absolute confidence and personal accord and sympathy between the Chief of Staff and the President, and necessarily also between the Chief of Staff and the Secretary of War. For this reason, without any reflection whatever upon the officer detailed, the detail will in every case cease, unless sooner terminated, on the day following the expiration of the term of office of the President by whom the detail is made; and if at any time the Chief of Staff considers that he can no longer sustain toward the President and the Secretary of War the relations above described, it will be his duty to apply to be relieved.

It will be perceived that we are here providing for civilian control over the military arm, but for civilian control to be exercised through a single military expert of high rank, who is provided with an adequate corps of professional assistants to aid him in the performance of his duties, and who is bound to use all his professional skill and knowledge in giving effect to the purposes and general directions of his civilian superior, or make way for another expert who will do so.

In this way it is hoped that the problem of reconciling civilian

control with military efficiency with which we have been struggling for so many years will be solved.

The general scheme of organization of the War Department General Staff, with the duties prescribed in these regulations, the assignment of the officers to the different divisions and sections, and the distribution of the subjects with which they are to deal, are set out in tabular form in the paper marked "Appendix D."

The general plan contemplates that every subject requiring investigation and study shall be worked out first by the officers assigned to the appropriate division and section of the staff, and, when of sufficient importance, shall then be considered by a general staff council composed of the three general officers of the Corps and the heads of the three divisions, and shall then be acted upon by the Chief of Staff, or laid before the Secretary of War by him with his recommendation. It is gratifying to report that the new system of control has been accompanied by most harmonious effort and cheerful good will on the part of the members of the General Staff, the chiefs of all the War Department bureaus, and the officers of the Army at large. In some cases the intervention of the Chief of Staff and his assistants has resulted in an apparent diminution of the independent authority of other officers. This has been received almost universally with a cheerful readiness to subordinate personal considerations to the good of the service. The exceptions have been so few and unimportant as to justify the belief that they will soon disappear.

Much of the work upon which the General Staff has been employed is of a confidential nature, not to be exhibited in a report which is to become a public document. By way of illustrating the character of the work upon which the corps has been engaged, however, I append hereto a schedule of some of the subjects with which they have dealt, marked "Appendix E." It will be observed that most of these involve questions which require investigation and the collection of data, or they involve several supply and construction departments, and therefore could not properly be determined by any one such department, or they call for expert opinion upon military policy or needs. Of especial importance may be noted the general subject of the distribution of troops, and the location, construction, and enlargement of army posts; the plan for the attendance of militia officers upon military schools and colleges of the Regular Army; the detail of student officers to the General Service and Staff College; the location of military posts in Porto Rico; the reorganization of field batteries; the prevention of desertions; the organization of maneuver divisions and plans for mobilization at West Point, Ky., and Fort Riley; the purchase of lands for posts and coast fortifications; the revision of Army Regulations; the revision of Infantry Drill Regulations; the location of a brigade post on the Niagara River; the exami-

nation and revision of army appropriation estimates; the details of officers for duty at military academies and colleges; regulations for muster of militia into the service of the United States; reclassification and carding of the professional data on file in the military information division; organization of Alaskan militia; the rearrangement of Territorial departments; the composition, duties, and limits of the principal permanent boards in the Army; the study of the storage and supply depots of all kinds with reference to the prompt and effective collection and distribution of supplies in case of war; the revision of the Articles of War for submission to Congress, adapting them to meet modern conditions and requirements; the study in detail of the supplies necessary for active military operations, including the stock on hand, the productive capacity of Government manufacturers and of private manufacturers, the sources of raw material, and the length of time necessary for production in requisite quantities; and an inquiry into all the elements of cost for seacoast defenses up to this time, and the prospective cost of continuance and maintenance.

Special credit is due to Brig. Gen. William H. Carter for the exceptional ability and untiring industry which he has contributed to the work of devising, bringing about, and putting into operation the general staff law. He brought thorough and patient historical research and wide experience, both in the line and the staff, to the aid of long-continued, anxious, and concentrated thought upon the problem of improving military administration, and if the new system shall prove to be an improvement the gain to the country will have been largely due to him.

JOINT ARMY AND NAVY BOARD.

Following the same line of policy which led to the organization of the General Staff, the Secretaries of War and the Navy entered into an arrangement, with the approval of the President, which was published to the Army in the following order:

GENERAL ORDERS, No. 107.

HEADQUARTERS OF THE ARMY, ADJUTANT-GENERAL'S OFFICE, *Washington, July 20, 1903.*

By direction of the Secretary of War, the following order is published to the Army for the information and guidance of all concerned:

"JULY 17, 1903.

"The Department of War and the Department of the Navy have agreed upon the formation of a joint board to be composed of four officers of the Army and four officers of the Navy, to hold stated sessions and such extraordinary sessions as shall appear advisable for the purpose of conferring upon, discussing, and reaching common conclusions regarding all matters calling for the cooperation of the two services. Any matters which seem to either Department to call for such consideration may be referred by that Department to the board thus formed. All reports of the board shall be made in duplicate, one to each Department. All reports and proceedings of the

board shall be confidential. The senior member of the board present will preside at its meetings and the junior member of the board present will act as its recorder.

"On the recommendation of the provisional General Staff of the Army the following officers are detailed by the Secretary of War to serve upon the board:

"Maj. Gen. S. B. M. Young.

"Maj. Gen. Henry C. Corbin.

"Brig. Gen. Tasker H. Bliss.

"Brig. Gen. Wallace F. Randolph.

"On the recommendation of the General Board of the Navy the following officers are detailed by the Secretary of the Navy to serve upon the board:

"Admiral of the Navy George Dewey.

"Rear-Admiral Henry C. Taylor.

"Capt. John E. Pillsbury.

"Commander William J. Barnette.

"ELIHU ROOT,
"Secretary of War.
"WILLIAM H. MOODY,
"Secretary of the Navy."

By command of Lieutenant-General Miles:

W. P. HALL,
Acting Adjutant-General.

Upon the transfer of General Corbin to command of the Department of the East, Brig. Gen. George L. Gillespie was substituted in his place.

The common understanding and mutual assistance between the two services, which it is within the power of this board to bring about, may be made to cover a wide range of subjects of great public importance, including the parts to be taken by the military and naval forces, respectively, in case of military operations on the seaboards and on navigable lakes and rivers; artillery defense of naval stations and naval defensive aid to seacoast fortifications; the exchange of information obtained by one branch of the service and useful for both; the manufacture or purchase of cannon, projectiles, explosives, small arms, ammunition, and munitions of war generally available for both services; the purchase and transportation of supplies; the transportation of men upon changes of station; the study and discussion of joint military and naval problems. In all these, and in many other respects, much greater efficiency, at much less cost, can be obtained by cooperation and mutual understanding than by separate services working in entire independence of each other. If the two forces are ever to be called upon to cooperate, the time to determine what each shall do, and the time for each to learn what the other can do, is before the exigency arises. It is hoped that this joint board, which is so constituted as to command the assistance of the General Staff in both arms of the service for the working out of its problems, will contribute materially toward the end desired.

THE ARMY WAR COLLEGE AND MILITARY EDUCATION.

The organization of the General Staff relieves the War College Board of a wide range of General Staff duties originally assigned to the Board in the absence of any more complete organization, and this has made possible a simpler organization, adapted to the performance of War College duties proper, and constituting an adjunct of the General Staff.

The following new regulations explain the organization and assignment of duties:

I. The Army War College shall be located in the city of Washington, D. C.

II. The college shall be under the direct control of the Chief of Staff.

III. Under the direction of the Chief of Staff the management of the college shall be vested in a president and two directors, who shall be assisted by a secretary.

IV. The special duty of the college shall be to assist the Chief of Staff and the General Staff in the preparation of plans for the national defense. For this purpose such number of suitable officers as may from time to time be found to be necessary by the Chief of Staff shall be detailed from the General Staff or from officers of the line, or other staff corps and departments of the Army, and these officers shall work with and under the direction of the personnel provided in Paragraph III.

V. The War College will receive from time to time instructions from the Chief of Staff as to the problems which it shall take up and the general line of investigation which it shall pursue.

After the most complete study practicable, a report will be rendered to the Chief of Staff setting forth the recommendations of the college. This report will be reviewed and criticised by the Chief of Staff and such section of the General Staff as may be directed to do so by him, and if necessary will be returned to the college with these criticisms for further study and revision.

Whenever the nature of the problem is such as to require harmony of action between the two services the report will be submitted to the joint board of army and navy officers appointed by General Order No. 107, Adjutant-General's Office, 1903, and the conclusions will be further studied in the light of criticisms made by said board.

Upon the final acceptance of the report of the college by the Chief of Staff, the report will be filed in his office.

VI. From time to time, as may be determined by the Chief of Staff, a selected number of officers, to be taken from the Army at large, will be assembled at the War College for the minute and detailed study, under the direction of the Chief of Staff, of the projects thus formulated.

VII. The work of the college in the preparation of its reports and in the subsequent instruction based thereon shall be confidential.

Especial attention is asked to the thoughtful and able report of Brig. Gen. Tasker H. Bliss upon the relations of the War College to the General Staff and to military education generally, which is among the reports submitted herewith.

Good work has been done during the year in the General Service and Staff College at Leavenworth, and in all the special service

schools. Some of the student officers detailed to the Leavenworth college did not appear to understand that they were under obligation to apply themselves to their studies, and I felt bound to enforce respect for that obligation by ordering them before a court-martial for neglect of duty. Two of them were convicted, and punished by fines and reduction in lineal rank. I think the duty will be more clearly understood hereafter.

The continued establishment and perfection of officers' schools at posts is producing good results, and it is evident that when the Army has become settled in the enlarged posts now in the course of construction and extension, and this system of schools has become thoroughly established, we shall be able to drop from the Leavenworth course much of the comparatively elementary instruction which we are now forced to give there and confine that institution to the more advanced instruction for which it is intended.

General Bates, of the Department of the Missouri, reporting specifically upon this subject, says:

Officers' schools at posts.—The existing regulations have greatly improved this important instruction. When we consider the great number of young officers who have joined the colors in the past five years, and whose theoretical education was at first necessarily neglected because of active operations in the field, the importance of thoroughness in these schools is apparent. The examinations which follow the school season, and the certificates of proficiency given to those whose work is considered satisfactory by their instructors, add a definiteness to the course that did not exist under the provisions that governed the former lyceum. As it is impossible for all lieutenants of the line to have the benefit of the course at Fort Monroe, Fort Leavenworth, or the School of Application for Cavalry and Field Artillery at Fort Riley, it is recommended that the officers' schools continue to receive the constant care and supervision of the War Department in order to secure not only thoroughness in instruction but uniformity in attainments, so that the certificate of proficiency will everywhere indicate substantially the same knowledge of the same subjects stated.

While the War Department has retained the direct supervision of the special instruction given at the General Service and Staff College, and at the School of Application at Fort Riley, mentioned above, I deem it proper and am pleased to say that the commanding officer at each place has shown an attentiveness to duty and appreciation of the ends sought that have merited and attained success.

The Inspector-General reports, as the result of the inspections by his department, that the past year has been marked by a very healthy growth of the military features at the various institutions of learning throughout the country to which army officers are assigned by the War Department. At the close of the last fiscal year, 78 army officers were on duty at these schools and colleges as professors of military science and tactics. Of these officers, 27 were in active service and 51 on the retired list. The number of graduates from the military departments of these institutions during the past college year was 1,647. Reports have been received from 77 institutions showing the total

average number of cadets in the military departments to have been 16,121. The aggregate strength of the military organizations at the close of the college year in 74 colleges was 13,144. Two thousand six hundred and forty-six cadets participated in practice marches and 3,549 cadets at 39 colleges participated in target practice. In all cases the organization has been similar to that of the Regular Army.

In view of the importance of these means of producing available material for appointments to the Regular Army from civil life and for volunteer officers in any future exigency, the President, in August last, authorized the announcement that thereafter he would annually award a commission in the Regular Army to at least one honor graduate of each of the six institutions of this character showing the best work upon inspection, provided that vacancies should exist after caring for the graduates at West Point and the successful competitors among the enlisted men. This announcement was made by War Department General Order No. 6, August 24, 1903.

THE MILITIA.

Of equal importance with the general staff act in its relation to the general military efficiency of the country is the act to promote the efficiency of the militia, approved January 21, 1903, supplemented by an appropriation of $2,000,000 in the army appropriation act of March 2, 1903. A copy of these statutes is annexed hereto as Appendix F. The militia act had its origin in an agreement between the Regular Army, represented by the War Department, and the National Guards of the States, represented by a convention which met in Washington in January, 1902, upon the main and fundamental provisions necessary to give vitality and effectiveness to our militia system. Upon the presentation of these provisions to Congress, the Committee on Militia of the House took up the subject with great public spirit and industry, and on that basis wrought out a bill which, with but few changes, was passed and approved in the form of the present act. The act proceeds upon the following ideas:

That whenever the United States becomes involved in war, the Regular Army will form but a small part of its armed force; and the country must also rely, for immediate and special exigencies, upon militia; and for service going beyond the proper limits of militia duty, upon volunteers.

That it is of vital importance to have a trained force of militia ready for instant service when called upon, and also to have a large number of citizens sufficiently instructed and exercised in the art of war, to organize, train and command volunteer forces.

That the best way for the National Government to secure both these requisites is by turning to the National Guards of the States,

which have grown up as State organizations intended for State purposes, but are composed of citizens liable to be called upon by the National Government for military duty, and willing to devote a considerable part of their time to fitting themselves for the performance of that duty.

That, without at all interfering with the services of these organizations to their respective States in time of peace, they can be treated as a national militia to be called into the service of the United States in time of war; and that it is for the interest of the National Government to make these organizations as effective as possible, having in view their prospective national service as militia and their immediate service as the school of the national volunteer soldier.

That as the militia when called into the service of the United States and the volunteer forces commanded by the citizens trained in this school of arms, will form, together with the regular troops, but one army, subject to the same command, drawing arms, ammunition and supplies from the same source, and subject to the same general system of accountability for property, it will be important that all parts of this greater army shall have used and shall be familiar with the same arms, ammunition, supplies, and forms and methods of transacting business, and shall have similar organization and discipline.

In this act, accordingly, Congress declared the National Guard organizations to be the organized militia, and provided for calling them into the service of the United States, whenever required, for the constitutional purposes of repelling invasion, suppressing insurrection, and executing the laws of the Union. And Congress also exercised its constitutional power "to provide for organizing, arming, and disciplining the militia" by a series of provisions designed to promote the strength, efficiency, and prosperity of these militia organizations; to make them and the Regular Army a homogeneous force; and to bring about a habit of cooperation and mutual respect and good understanding between the officers of the two forces.

To accomplish these purposes, the act provides that the organization, armament, and discipline of the organized militia shall be the same as that prescribed for the Regular Army. It authorizes the Secretary of War to issue to the militia, at the expense of the National Government, the same arms, ammunition, and supplies which are provided for the Regular Army. It provides for regular inspections by officers detailed by the Secretary of War and for regular returns by the adjutants in the several States to the Secretary of War. It authorizes participation by the organized militia in joint maneuvers with the Regular Army, and provides that in such case the organized militia so participating shall receive the same pay, subsistence, and transportation as is provided by law for the officers and men of

the Regular Army, to be paid out of the regular appropriations for the support of the Army. It provides for furnishing aid to separate State encampments of the militia by allowing, out of an annual appropriation of $1,000,000 for militia purposes, to the officers and enlisted men engaged in such encampments, the same pay, subsistence, and transportation or travel allowances as are made for similar purposes to officers and enlisted men of the Regular Army. It provides for detailing officers of the Army to attend encampments upon the request of the governors of the States to give instruction and information, and for detailing officers to report to the governors for duty generally in connection with the militia. And it provides that for the purpose of securing a list of persons specially qualified to hold commissions in any volunteer force which may be called out hereafter, examinations shall be held, open to anyone serving or who has served in the organized militia, to determine the fitness of the applicant to hold a volunteer commission. The persons passing such examination are to be certified and registered, and are to constitute an eligible class for appointment as officers of any future volunteer force; and they are authorized to attend any military school or college of the United States except the Military Academy at West Point, and to receive the same allowances and commutations during such attendance as are provided for the officers of the Regular Army.

This statute plainly opens a wide field of new duty for the officers of the Regular Army. They can no longer fill the measure of their obligation to the country by perfecting themselves and the forces under their command in the performance of their own military duties. They are charged with the further duty of applying their military skill and experience to the preparation of the militia and volunteer force which will be associated with them in the next war, for effective service. A new responsibility also rests upon the officers of the National Guard to render to the nation full and unstinted return for the enlarged means and opportunities which the liberality of Congress has afforded to them.

It is gratifying to report that the officers of both services have entered upon the execution of the new statute with an evident desire to discharge these obligations and attain the purposes of the law.

Following is a review of the principal things already done under the law:

Militia inspection under section 14.—Section 14 of the act makes it the duty of the Secretary of War to cause to be made at least once in each year, by officers detailed for that purpose, inspections to determine whether the organized militia is sufficiently armed, uniformed, and equipped for active duty in the field, as a condition precedent to the use of its allotment under section 1661, Revised Statutes,

for the payment, subsistence, and transportation of such portion of the organized militia as shall engage in actual field or camp service for instruction. Hitherto the entire expense of State encampments has been a charge which the States have had to meet. A special inspection of the entire organized militia of the country was promptly made after the passage of the law. This inspection was thoroughly and effectively conducted by 87 selected officers of the Army, who in the aggregate visited 1,196 towns and cities, and inspected 196 regiments, separate battalions and squadrons, and 1,943 companies, troops, batteries, and staff organizations. The total number of the organized militia, including officers of every rank and grade, was ascertained to be 116,542, of which 7,610 were officers of the line and 1,510 officers of the staff, making a total of 9,120 commissioned officers and 107,422 enlisted men; of this number 6,695 officers and 81,007 men were present at inspection. Their distribution among the arms of service was as follows:

	Officers.	Enlisted men.	Aggregate.
General and Staff	1,360	.....	1,360
Cavalry	350	4,740	5,090
Artillery	498	6,754	7,252
Infantry	6,782	93,314	100,096
Engineers	63	1,011	1,074
Signal Corps	52	680	732
Hospital Corps	15	923	938
Total	9,120	107,422	116,542

Distributed by organizations, there are 1,662 companies (equivalent to 138 regiments) of infantry, with a total of 6,782 officers and 93,314 men; 86 troops (equivalent to 7 regiments) of cavalry, with 350 officers and 4,740 men; 34 companies of coast artillery, with 145 officers and 2,332 men; 76 batteries of field artillery, with 303 officers and 4,422 men, manning 244 pieces of field artillery, viz: 73 3.2-inch B. L. rifles, 3 6-inch B. L. rifles, 34 3-inch muzzle-loading rifles, 41 12-pounder Napoleons, 75 Gatlings (caliber .45), 2 Gatlings (caliber .30), 1 naval Gatling, 9 Hotchkiss guns, 1 Hotchkiss revolving gun, 1 Colt's automatic gun, 2 3-inch naval howitzers, and 2 6-pounder brass guns; 17 engineer organizations, with a total of 63 officers and 1,011 men; 29 signal corps organizations, with a total of 52 officers and 680 men, and 15 hospital corps organizations, with a total of 15 officers and 923 men. This force would form five army corps of three divisions of three brigades of three regiments of infantry each, with a tactical complement of cavalry and artillery.

The total strength of the Organized Militia by States is as follows:

Alabama	3,318	Montana	538
Arizona	382	Nebraska	1,588
Arkansas	1,731	Nevada	140
California	3,480	New Hampshire	1,319
Colorado	1,082	New Jersey	4,651
Connecticut	2,572	New Mexico	371
Delaware	389	New York	13,869
District of Columbia	1,294	North Carolina	1,850
Florida	1,291	North Dakota	806
Georgia	4,684	Ohio	5,677
Hawaii	573	Oklahoma	874
Idaho	449	Oregon	1,262
Illinois	6,669	Pennsylvania	9,068
Indiana	2,234	Rhode Island	1,025
Iowa	2,364	South Carolina	3,692
Kansas	1,320	South Dakota	1,335
Kentucky	1,261	Tennessee	1,915
Louisiana	1,498	Texas	3,266
Maine	1,158	Utah	376
Maryland	2,006	Vermont	701
Massachusetts	5,739	Virginia	2,271
Michigan	3,031	Washington	822
Minnesota	2,026	West Virginia	1,140
Mississippi	1,140	Wisconsin	2,857
Missouri	3,078	Wyoming	360

Among the immediate results of the special inspection were the disbandment and muster out of many companies, the recruitment of others, and the entire reorganization of the organized militia of several States and Territories, as well as a material change in the organized strength of nearly every State from that last reported by the adjutants-general.

Inspection under section 18.- Another feature of this inspection, made mandatory by section 18 of the law, in order to entitle the States and Territories to the benefit of the appropriation under section 1661, Revised Statutes, relates to the system of drill and inspection required by the States during the year next preceding each annual allotment of funds. The law requires that each State or Territory shall have required during the preceding year every company, troop, and battalion in its organized militia, not excused by the governor, to participate in practice marches or to go into camp of instruction at least five consecutive days, and to assemble for drill and instruction at company, battalion, or regimental armories or rendezvous, or for target practice, not less than twenty-four times, and shall also have required during such year an inspection of each such company, troop, and battalion to be made by an officer of such militia or an officer of the Regular Army.

As the result of this inspection it was learned that 1,337 organizations have participated in practice marches or gone into camps of instruction at least five consecutive days during the year preceding June 30, 1903, and 1,740 organizations have assembled for drill and instruction at armories or rendezvous or for target practice not less

than twenty-four times during that period. The number of organizations not participating in the first class of military exercise is 557, and not participating in the second class, 154. The value of the aid rendered by the Federal Government in furnishing material of war and paying certain necessary expenses of encampments is so manifest that it is to be presumed that all organizations of the Guard will in the future make every effort to comply with the conditions which must hereafter govern in the allotment of this annual appropriation for the support of the militia.

Condition of arms and equipments.—Upon the whole the condition of the arms and equipments of the organized militia was found to be satisfactory, and such deficiencies as were discovered, were, to a great extent, readily remedied. The following States were found by the inspection to be already "sufficiently armed and equipped for service in the field," viz: California, Colorado, Connecticut, Delaware, District of Columbia, Georgia, Illinois, Iowa, Kansas, Maine, Maryland, Massachusetts, Missouri, Nebraska, New Jersey, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Vermont, Washington, West Virginia, and Wisconsin.

It was found that of the 1,821 organizations inspected, 1,492 were sufficiently armed and equipped for active duty in the field.

The necessary steps were promptly taken by the greater portion of the States found deficient in armament or equipment to supply the deficiency, and the provisions of the new law will enable them to do so readily.

State encampments under section 14.—The following States availed themselves of their allotments under section 1661, Revised Statutes, for the purpose of holding encampments, viz: Arkansas, the District of Columbia, Georgia, Indiana, Maryland, Missouri, Nebraska, New Jersey, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Texas, Utah, and Washington. A considerable portion, and in some cases all, of the organized militia of the States named participated in these encampments, under the provisions of section 14 permitting the same pay, subsistence, and transportation as provided for officers and men of the Regular Army, to be paid from the appropriation under section 1661, Revised Statutes.

The District of Columbia, Georgia, Michigan, New Jersey, New York, Vermont, and Rhode Island participated in rifle practice. The total money value of requisitions on all these accounts was $333,857.35.

The liberality of Congress in providing for the expense of arming and equipping the militia according to army standards, to be paid from army appropriations, has made it possible for the States to utilize more freely for encampment purposes their allotment of the annual militia appropriation.

As the officer who disburses these funds becomes, by the terms of the law, a disbursing officer of the United States, blanks and regulations have been framed with the cooperation of the accounting officers of the Treasury, which, while furnishing all the essential safeguards for the disbursement of these moneys, combine the utmost simplicity compatible with these ends.

Instruction at State encampments.—Authority is conferred upon the Secretary of War under section 19 to detail, upon the application of the governor of any State or Territory furnished with material of war under the provisions of this act, or former laws of Congress, one or more officers of the Army to attend any encampments of the organized militia, and to give such instruction and information to the officers and men assembled in such camp as may be requested by the governor. During the year twenty-seven States and Territories have had officers detailed for this purpose, and in accordance with the requirements of the law the governors have been furnished copies of the reports which these officers are required to make immediately to the Department. These reports show a most satisfactory aptitude on the part of the militia for their military duties, and warrant the hope that the militia, through the earnest and energetic efforts which its members are making, will at an early date achieve substantial conformity to the new law.

The presence of these officers at the State encampments furnishes a valuable means of imparting the requisite knowledge of army discipline and methods and constitutes one of the most important factors in working out the uniformity which Congress has required.

Participation of militia in combined maneuvers.—The participation by any part of the organized militia of any State or Territory, on request of the governor, in the encampment, maneuvers, and field instruction of any part of the Regular Army at or near any military post or camp or lake or seacoast defenses of the United States is authorized under section 15. The militia taking part in these maneuvers are to receive the same pay, subsistence, and transportation as are provided for officers and men of the Regular Army, to be paid out of the appropriations for the support of the Army.

The militia organizations availing themselves of this privilege were the National Guard of Hawaii, with the troops at Camp McKinley, near Honolulu, June 10 to 14; the entire militia of Maine, and one regiment of coast artillery from Massachusetts, in the combined maneuvers of the Army and Navy in the artillery district of Portland, Me., from August 22 to 29; two companies of coast artillery of Connecticut and one regiment of coast artillery of New York in operations at the eastern entrance of Long Island Sound, July 10 to 20; three regiments of infantry and one field battery of the Indiana National Guard, three regiments and one battalion of the Michigan National

Guard, two regiments of infantry and a battalion of artillery of the Kentucky State Guard, one regiment of infantry and a field battery of the Ohio National Guard, and one regiment of infantry of the Wisconsin National Guard in the maneuvers at West Point, Ky., September 25 to October 16; one battalion of infantry of the Colorado National Guard, one regiment of infantry of the Iowa National Guard, two regiments of infantry and two batteries of field artillery of the Kansas National Guard, one regiment of infantry of the Missouri National Guard, one regiment of infantry and one company of the signal corps of the Nebraska National Guard, and one regiment of infantry of the Texas National Guard in the maneuvers at Fort Riley, Kans., from October 15 to 27. These organizations had present approximately 1,000 officers and 13,000 men.

These general field exercises have proved of great value to the militia, affording it opportunity to take part in military maneuvers on an extended scale, and to come into actual contact with the Regular Army under the conditions of simulated warfare; and they tend to infuse into the militia a spirit of discipline and respect for Army standards and efficiency. They have also proved of material advantage to the Regular Army through the association of the two forces. The relations of mutual respect, good feeling, and common understanding established between the great numbers of officers of both services, who have been working together in these maneuvers, will prove of incalculable benefit whenever those officers are found serving in the same army engaged in actual hostilities.

Issue of arms and equipment.—One of the cardinal purposes of the law being to secure uniformity of armament between the militia and the Regular Army, the Secretary of War is authorized under section 13 to issue upon the requisitions of the State authorities such number of the United States standard service magazine rifles, with necessary equipments and accouterments as are required to arm all the organized militia, without charging the cost under section 1661, Revised Statutes, or requiring payment therefor, and to make the necessary exchange of ammunition for the new arms.

Under this provision the Chief of Ordnance has issued 58,031 magazine rifles and carbines, and credited back to various States and Territories $336,893.59 which had been charged to them for similar issues since the 1st of December, 1901. All of the States and Territories but three have been fully supplied, and of these three the principal one is, by preference, waiting for a change of sights upon the rifles which are ready to be delivered. The rearmament may, accordingly, be regarded as substantially accomplished.

Allotments to the militia under section 1661, Revised Statutes.—In the distribution and use of the $1,000,000 annually appropriated under section 1661, Revised Statutes, the limitations which have heretofore

governed the use of the appropriation have been removed by section 17 of the new act, so that instead of its being confined to the purchase of ordnance and quartermaster stores, as was formerly the case, it is available for the purpose of providing for the use of the organized militia any stores and supplies or publications which are supplied to the Army by any department. In addition it is applicable to the pay, subsistence, and transportation of militia participating in State encampments under section 14, as already stated above. In lieu of the limitations which formerly governed this appropriation, Congress has substituted those set forth in sections 14 and 18 of the act, requiring a definite and satisfactory showing of the militia's preparedness for military duty and the genuineness of its claims for consideration as a military organization.

Further authority is conferred upon the States to purchase for cash, for the use of its militia, materials of war and military publications at the prices at which they are issued to the Army, with the cost of transportation added.

Militia allotments under act of March 2, 1903.—The allotments under section 1661, Revised Statutes, are made to the States upon the basis of representation in Congress. The act of March 2, 1903, provided for the procurement and issue of certain articles of armament and equipment to the militia, with a view to conforming its equipment in its entirety to that of the Regular Army, so that it became the duty of the Department to procure and furnish the equipment in kind, using this appropriation as far as it would go toward completely equipping the entire militia. That the sum appropriated was inadequate for the purpose was manifest, and it was therefore necessary to determine what portion of the supplies required by each State could be furnished.

An article of issue of prime importance was the field gun of the model about to be adopted by the Army to replace the old field guns of 3.2 caliber in use by the militia. As a result of special inspection it appears that there are in the possession of the militia 72 field guns of 3.2-inch caliber, which number would constitute 18 batteries of the army organization. The Secretary of War therefore directed that the sum of $700,000 should be set aside from this appropriation for the procurement by the Chief of Ordnance of field artillery. This sum is sufficient to equip about 11 batteries of 4 guns each. A provisional apportionment to the States and Territories of $1,000,000 of this appropriation, upon the basis of the organized strength of the militia as reported to Congress under date of February 2, 1903, was directed by the Secretary of War. The States have availed themselves of this provisional allotment by calling for articles of clothing, equipage, ordnance, medical, and signal supplies. Under this appropriation blank forms of requisitions, returns, and many other papers used by the Regular Army have been distributed to the militia in order to bring the paper work of the two forces into conformity.

Detail of officers with States and Territories.—As an additional means of aiding the State authorities in developing the militia under the system prescribed by Congress, authority was conferred upon the Secretary of War by section 20 of the act to detail, in his discretion, upon the application of the governors, one or more officers of the Army to report to them for duty in connection with their organized militia. The act of March 2, 1903, authorized a similar detail of not exceeding twenty retired officers. As the conditions of the service at this time do not permit the detail of officers on the active list for this duty, steps have been taken to detail the twenty retired officers. The governors of the States, in the order of the strength of their organized militia, have been afforded opportunity to secure such details, and six officers have already been assigned to this duty. Notifications have been sent to the governors of all the States to indicate their wishes as to the detail of retired officers, and these requests will be disposed of in the order of the organized strength of the militia, until the number of retired officers authorized by law is exhausted.

Conformity to army standards.—The requirement of the law that the organization of the militia shall conform to that of the Regular Army within five years from the date of the approval of the act is one which mainly falls upon the States and Territories to carry out, but the Department has endeavored to facilitate this end by submitting for the consideration of the State authorities a proposed code of militia law covering in detail features of organization. This code is comprehensive in its treatment, embodying the most approved machinery for the government of the militia, and while it is offered to the States only by way of suggestion, it is hoped that the substance of its provisions will be adopted, thereby furnishing a fairly uniform basis of administration for the National Guard.

The inherent difficulties of conforming in all particulars to army organization are thoroughly appreciated by the Department, but it is confidently believed that the earnest cooperation of the State authorities will enable the necessary changes to be gradually effected. This act provides that the President of the United States may in time of peace, by order, fix the minimum number of enlisted men in each company, troop, battalion, signal corps, engineer corps, and hospital corps. In the proposed code the suggested minimum strength of the tactical units of the several arms of the service will be found, with the exception of the engineer companies, the minimum strength of which, it is thought, should be the same as that of the infantry.

Military education of militia and volunteer officers.—Very liberal means have been afforded by sections 16 and 23 for the instruction of militia officers at military schools and colleges of the United States. Such student officers receive the same traveling allowance and quarters, or commutation of quarters, that officers of the Regular Army

would be entitled to while in attendance at such schools, together with an allowance for subsistence. Section 23 provides for the creation in the Department of a roster of militia officers who are especially qualified to hold commissions in any volunteer force which may hereafter be called for and organized under authority of Congress. The General Staff has prepared regulations for examining boards to determine the qualifications of such applicants. These regulations have been approved by the Department, and will shortly be issued.

While the army service schools are fully taxed by the present attendance of regular officers, the necessary steps will be taken to provide accommodations for student militia officers as soon as they become eligible to attend under the requirements of the law and the regulations of the Department.

Regulation of use of militia for national defense.—As the chief interest of the United States in the militia lies in its availability for national protection upon occasions of emergency, one of the underlying objects of this law is to prescribe the way to make it available as a fighting force. The constitutional purposes for which the militia can be called into the active service of the United States are embodied in section 4, the terms of service in section 5, the apportionment of the militia when called into service in section 6, while sections 7 to 11 provide for the muster into service, courts-martial, pay and allowances, and other miscellaneous subjects. Regulations to govern the muster of the militia into the service of the United States under section 7 have been framed by the General Staff and have received the Department's approval. They are annexed hereto as Appendix G.

In considering the availability of the militia for national defense, a most pertinent inquiry is that of dependable strength. With a view to obtaining a definite idea as to what this dependable strength would be at this time, a thorough canvass of the National Guard was made, from which it appears that of the 1,943 separate bodies in the organized militia the men of 1,586 had a thorough understanding of their obligations under the statute, 250 organizations had no such idea, and 57 had a partial idea. Of the 116,542 officers and men now in the service of the organized militia, 100,345 declared themselves ready to respond to a sudden call of the President.

PROMOTION OF RIFLE PRACTICE.

The army appropriation act of March 2, 1903, provided—

That for the purpose of furnishing a national trophy and medals and other prizes, to be provided and contested for annually, under such regulations as may be prescribed by the Secretary of War, said contest to be open to the Army and the National Guard, or organized militia of the several States, Territories, and of the District of Columbia, and for the cost of the trophy, prizes, and medals herein provided for, the sum of two thousand five hundred dollars be, and the same is hereby,

annually appropriated out of any money in the Treasury not otherwise appropriated, to be expended for the purposes hereinbefore prescribed, under the direction of the Secretary of War.

The very great importance of this subject led the Secretary of War to exercise the authority vested in him by this provision to make regulations for the government of this annual contest in such form as to promote the purpose of the statute by securing a comprehensive and progressive treatment of the whole subject of improving the marksmanship of the Army and the militia. For that purpose a board was established composed of 5 members from the regular establishment, including the Assistant Secretary of War, 2 officers of the Army, an officer of the Navy, and an officer of the Marine Corps, detailed by special authority of the Secretary of the Navy; the trustees of the National Rifle Association, 8 in number; and 8 citizens who had shown special interest in the subject, appointed from the country at large. Nearly all of the members of the last two classes are prominent officers of the National Guard, representing 13 different States and Territories. This board formulated rules and conditions for the first contest under the statute, which received the approval of the Secretary of War; and the contest was held on the 8th and 9th of September. The board has also had under consideration a number of important questions relating to the promotion of rifle practice, and will, I am satisfied, if properly sustained in its efforts, prove a most useful agency in the conduct of this necessary work. I know of nothing more important in the way of preparation for war than teaching the young men of the country to shoot straight. It is especially important to the efficiency of our volunteer armies in the future. It is of no use to pay, equip, subsist, and transport a soldier to the battlefield unless he can hit an enemy when he shoots at him. Two recent changes in conditions require that we should make continuous and active effort in this direction if we are to have this necessary element of efficiency. One is the greatly increased range of modern rifles which determines battles while the combatants are at great distances from each other, and which makes practice more necessary for good marksmanship than ever before. The other is the decline in the use of firearms among the greater part of our people. Formerly when our population was scattered and game was abundant in all parts of the country every house had its rifle or its shotgun, and every boy learned to shoot them. Now it is probable that a majority of the young men in the thickly settled parts of the country have never fired a gun, and would be quite harmless to an enemy until taught to shoot. The time to give that instruction is now. We ought not to wait until we are actually engaged in hostilities. When that time comes the enemy will not wait for us to give the instruction. I recommend that an appropriation be made to pay the necessary expenses of the board for

the promotion of rifle practice; that the statute be amended so as to include the Navy and the Marine Corps, and that an additional sum be appropriated for the promotion of rifle practice by the formation of rifle clubs and contests to which citizens generally shall be admitted; to be expended upon the recommendation of the board with the approval of the Secretary of War.

CAMP SITES.

In view of the beneficial effect realized from the joint autumn maneuvers already held, I renew the recommendation for further action by Congress in execution of the purpose indicated by section 35 of the army reorganization act of February 2, 1901, by which the Secretary of War was directed to cause preliminary examinations and surveys to be made for the purpose of selecting four sites, with a view to the establishment of permanent camp grounds for the instruction of troops of the Regular Army and National Guard.

The results of such examinations and surveys were transmitted to Congress on the 19th of May, 1902, together with reports of examinations and estimates upon a number of additional sites. The maneuvers already had at Fort Riley, Kans., in 1902 and 1903, and upon land hired for the purpose at West Point, Ky., in 1903, have afforded opportunities to only a comparatively small number of troops in those immediate neighborhoods. The expense and time required for transportation have been a bar to participation by organizations, either regular or militia, in distant parts of the country. The same advantages ought to be given to both classes of troops in every part of the United States, and for that purpose there should be camp sites provided on the North Atlantic coast, on the Pacific coast, in the Northwest, and in the Southwest.

SEACOAST DEFENSE.

Satisfactory progress has been made in the construction and armament of fortifications. Additional guns have been mounted as follows: Twelve 12-inch, three 10-inch, four 8-inch, seventy rapid-fire, and thirty-one 12-inch mortars.

The status of emplacements for which funds have been provided by Congress was as follows at the close of the fiscal year 1903:

	12-inch.	10-inch.	8-inch.	Rapid-fire.	12-inch mortars.
Guns mounted	92	115	[a]93	[b]178	328
Ready for armament	9	9	2	[c]200	32
Under construction	4	8	1	189	16
Total	105	132	96	567	376

[a] Twenty-three of these, which have been mounted temporarily, have since been dismounted.
[b] One temporarily.
[c] Including seventy 6-pounders requiring permanent emplacements.

The test and installation of range and position finders and fire-control stations have proceeded under harmonious cooperation of the Chief of Engineers, the Chief of Ordnance, the Chief Signal Officer, and the Chief of Artillery. There are now 11 fire commanders' and 55 battery commanders' stations completed and turned over to the Artillery Corps, and 22 fire commanders' and 55 battery commanders' stations are under construction.

The Ordnance Department has made good progress in additions to the supply of heavy projectiles and smokeless powder. The Engineers, the Ordnance Corps, the Signal Corps, the Corps of Artillery, and the Quartermaster's Department all complain of an insufficient supply of experienced officers to do the work imposed upon them. This is a difficulty which time will to some extent remedy, especially in the Artillery and Ordnance Corps.

The provision of heavy guns in coast fortifications is far advanced. The most pressing requirements in the way of material are a further provision of rapid-fire guns and the installation of fire-control apparatus. Still more imperative is the adequate training of the officers and men of the artillery force who are to use the guns. This is necessarily a matter of time. It is being pressed forward with commendable energy.

As the work of coast defense involves the combined action of many different departments of the Army, and many different boards of officers each acting in its own field, the General Staff has made a careful study of the subject with a view to the coordination of these different agencies and the treatment of the problems involved in a more comprehensive way than would be possible to any one department acting by itself. The General Staff report presents the data collected from all the different departments, showing what has been done and its cost and what remains to be done and its cost for fortifications, armament, electrical appliances, housing and supply of troops, and provision for the care and use of the defenses. This consolidated statement shows the expenditures to September, 1903, to have been:

By the Engineer Corps, for fortification	$27,993,434.02	
For armament	51,342,799.57	
By the Signal Corps, for electrical appliances	457,538.29	
By the Quartermaster's Department	9,805,849.70	
		$89,599,621.58
And it shows estimates of the cost of completing the project of the Endicott Board, as modified from time to time, as follows:		
For fortification	$22,006,565.98	
For armament	12,113,775.00	
By the Signal Corps	1,472,224.00	
By the Quartermaster's Department (for housing, etc., of troops)	15,260,130.00	
		50,852,694.98
Making an aggregate of		140,452,316.56

To fully man these defenses when completed will require, according to the estimate of the Chief of Artillery, a total of 42,096 enlisted men, not allowing for detached guards and outposts, infantry support, post supply, sick, recruits, or absentees. The Chief of Artillery considers that of this force 28,710 should be furnished from the regular establishment and in time of war 27,402 by the organized militia. This would require an ultimate increase of the enlisted force of the regular coast artillery by the addition of 15,063 men. The progress of the work has already rendered the present force of coast artillery inadequate. If this estimate be adopted the annual cost of maintenance of the coast-defense fortifications as estimated will be—

For pay, clothing, and subsistence of troops	$10,856,987.82
For preservation and repair of fortifications, armament, barracks, grounds, water systems, and other constructions, 5 per cent of the original cost	7,226,158.03
Making an annual fixed charge for seacoast defense of	18,083,145.85

The magnitude of these sums indicates the importance of early and comprehensive consideration of the whole subject and of various suggestions which have been made, tending toward a possible reduction of expense both in construction and maintenance. The study already made by the General Staff is intended to show the necessity and furnish the basis for such a consideration. That body will proceed with the consideration in conjunction with the chiefs of the Bureaus of Construction and Supply, and with the Joint Army and Navy Board, and I do not doubt they will be able to reach a conclusion enabling them to recommend a clearly defined policy of future construction, maintenance, and service of seacoast defences. The report already made, which contains some information ordinarily kept as confidential, together with any further results reached by the General Staff, will be laid before the appropriate committees of Congress for their information.

DEFENSE OF INSULAR POSSESSIONS.

I wish again to call attention to the necessity of constructing defenses for our insular possessions. Projects for the defenses for San Juan, P. R.; Pearl Harbor and Honolulu Harbor, Hawaii; San Luis d'Apra, Guam; Manila Bay and Subig Bay, in the Philippines, have been made and approved, and estimates for the necessary construction have been transmitted to Congress. There ought to be no delay in putting all of these points in such a condition that at least they will not be defenseless against any sudden foray by a single, lightly armed cruiser. The subject of fortification of naval stations in the West Indies also calls for immediate attention. A joint army and navy board has been in the West Indies during the past month

examining the stations with a view to determining the extent and character of the fortifications required.

CONSTRUCTION.

The Quartermaster's Department has been driven to the utmost capacity of its officers in pressing forward the construction of barracks and quarters to provide for the enlarged army, both here and in the Philippines, under the liberal appropriations made by Congress at its last session. This work has been conducted in accordance with the conclusions reached upon a very thorough study of the subject of distribution of troops made by the War College Board acting as a provisional General Staff. Good progress has been made in this, as well as in construction under the appropriations for post-exchange buildings, the Army War College, the Engineers' School of Application, and the enlargement of Governors Island in New York Harbor. In executing the provision authorizing the expenditure of $5,500,000 for the improvement and enlargement of the Military Academy at West Point, the preliminary plans produced by the competition described in my last report were submitted on the 15th of May, 1903, and the set of plans submitted by Messrs. Cram, Goodhue & Ferguson, of Boston, was selected and approved upon the unanimous recommendation of an advisory committee composed of Lieutenant-General Schofield (retired), Colonel Mills, the superintendent of the academy, and three architects who had been chosen by the competitors. The detailed plans and specifications are now far advanced.

ALASKAN TELEGRAPH LINES.

The Signal Corps has continued the work of telegraph construction in Alaska with its customary energy. The system provided for by the act of Congress of May 26, 1900, has now been completed. It consists of 1,740 miles of telegraph line, of which 1,486 are land and 254 cable lines. It connects Fort St. Michael on the south shore of Norton Sound with Fort Davis and Nome City on the north shore, and running easterly from St. Michael to the valley of the Yukon, passes up that valley to Fort Gibbon and Rampart, and from Fort Gibbon passes up the valleys of the Tanana and Goodpasture rivers to Fort Egbert and Eagle City; thence running southerly across the divide between the Tanana and the Copper River, it runs through the Copper River country to Valdes on Prince Williams Sound. A separate cable of 120 miles connects Skagway at the head of Lynn Canal with Haines Mission and Juneau. The Chief Signal Officer says of this construction:

> It is impossible to adequately set forth the tremendous difficulties under which Alaskan military telegraph lines have been constructed and maintained. In general,

it is to be premised that not 20 miles of constructed wagon road exists in the country traversed. As a rule, all material has been sledded into the interior in midwinter or carried by pack animals over the roughest imaginable trails. Conditions were so difficult that some coils of wire were carried 145 miles by pack. The magnitude of the work may be inferred by the statement that from Fort Egbert alone, between November 20, 1902, and June 30, 1903, no less than 220 tons of supplies and material were sledded or packed into the interior, it being impossible to move a ton by wagon.

The construction parties, consisting almost entirely of enlisted men of the Signal Corps and of the line of the Army, worked steadily the entire winter, although the conditions under which field work was done were of the most hazardous and appalling character. As an illustration may be mentioned the fact that from November 1 to the end of the winter, by official reports, 60 feet and 11 inches of snow fell at Fort Liscum, adjoining the Copper River Valley.

In the interior, while the snowfall was very much less, being only 4 feet 4 inches at Egbert, yet continued and terrible cold made camp life and construction work almost insupportable. The mean temperature at Fort Egbert from November to February, inclusive—a period of four months—was 2° below zero. There were prolonged periods of extreme low temperature when the mercury remained frozen, the minimum of 61° below zero occurring in January. While the past winter is believed to have been the most severe in Alaska for many years, yet such was the resourcefulness and endurance of the American soldier that the work of construction in the valley of the Tanana was carried on the entire winter without loss of life and with only one serious case of freezing.

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It is doubted whether in the peaceful annals of the Army there have been met with nobler fortitude by the enlisted men equal conditions of hardship and privation. It is to be understood that the line of the Army has displayed in this work the same energy and endurance as the Signal Corps.

Under the appropriation of March 2, 1903, for the construction and maintenance of a submarine cable for connecting the headquarters Department of the Columbia with military garrisons in southeastern Alaska, the entire cable of about 1,300 miles in length has been manufactured in the United States and delivered on the Pacific coast. Two hundred and ninety-two miles, connecting Juneau with Sitka, have been laid and are in operation. The remainder of the cable, sufficient to cover the distance between Seattle and Sitka, estimated at 970 miles, is at Seattle ready to be laid as soon as conditions of navigation permit. As the cable was manufactured on the Atlantic coast and its great weight practically prohibited transportation by rail, it was necessary to send it around Cape Horn. Only an unfortunate delay in the commercial steamer carrying part of the shipment prevented the completion of the undertaking before the winter storms interrupted the work.

With the completion of this work next spring we shall have two separate telegraph systems, one in northwestern Alaska of about 1,690 miles, and the other a cable system of about 1,400 miles, connecting all important points in southeastern Alaska with the telegraph system of the United States. There will remain a break between

the two systems of about 565 miles, which should be closed by a cable from Sitka to Valdez. This will give connection over our own lines between the United States and all military posts and important points in the Territory. The Chief Signal Officer estimates the cost of constructing and installing such a cable at $321,585. I strongly urge an appropriation of this amount for this purpose.

THE ARMY IN THE PHILIPPINES.

On the 15th of October, 1903, the American troops in the Philippines consisted of 843 officers and 14,667 enlisted men. Gen. George W. Davis, the division commander until the 25th of July, has reported that the number can be still further reduced, and I agree with that opinion. It is not desirable, however, to make any further reduction until the construction of barracks and quarters in the United States has made further progress. There are also 99 officers and 4,805 enlisted men of the Philippine Scouts. There is not at present much occasion for the use of American troops outside of the Moro country, but the moral effect of their presence is undoubtedly salutary. We are following the policy of drawing them together in the comparatively few large posts, which are in course of construction, where their discipline, health, and opportunities for instruction will be improved and the cost of maintenance will be decreased. Such smaller posts as are required will be generally, and are now to a considerable extent, occupied by the Philippine Scouts. General Davis reports, under the head of "Public order," as follows:

> In all the cities and large towns throughout the Archipelago, and throughout a very large part of the rural districts inhabited by Christian Filipinos, life and property have been secured and the inhabitants have pursued their ordinary avocations without annoyance by the lawbreakers. There have been a few cases of serious disturbance of the peace in the smaller towns and rural districts which have resulted in some loss of life and property; such disturbances of the peace have had the effect of discouraging industrial efforts, and in many extensive regions little attention to agriculture, the mainstay of the island, has been practicable. The lawless element generally consists of roving bands whose members are descendants of former generations of men engaged in similar avocations—lawbreakers and robbers—by occupation. They sometimes call themselves "insurrectos" and resent the characterization of "ladrones;" but the real motive of almost all of these outlaws is loot pure and simple, and to be supported by the peaceful and industrious inhabitants.

A number of conflicts have occurred during the year between these lawless bands and the Philippine scouts, in which the scouts have conducted themselves admirably. In two cases during the year small bodies of white troops were called upon. The suppression of this kind of disorder is necessarily the work of time; but it is evidently progressing as rapidly as can be expected.

THE MOROS.

The last report of the Secretary of War contained an account of the punitive expeditions which had been found necessary in the Lake Lanao region in the months of May and September, 1902. I then said:

> Some further punishment may yet be necessary, but the present indications since this last experience seem to be peaceful.

In April, 1903, a body of American troops under Capt. John J. Pershing, engaged in the exploration of the west shore of Lake Lanao, was attacked by the Sultan of Baccalod and the Sultan's fort was captured and destroyed. In May, while exploring the east shore of the lake, the force under Captain Pershing was opposed and fired upon by the Taraca Moros, and their forts were assaulted and captured. Both General Sumner, in command of the Department, and General Davis, in command of the Division, characterize the conduct of Captain Pershing and his officers and men in terms of high commendation. On the 11th of May the following dispatch was sent by the Secretary of War to General Davis:

> I congratulate you and Brig. Gen. S. S. Sumner on the work done in Mindanao. Express to Capt. John J. Pershing and the officers and men under his command the thanks of the War Department for their able and effective accomplishment of their difficult and important task.

In the Sulu Archipelago the conduct of the Moros has been growing steadily more unsatisfactory during the entire year. The agreement made by General Bates with the Sultan of Jolo on the 10th day of August, 1899, and submitted to Congress February 1, 1900, recognized the sovereignty of the Sultan and depended upon him for the maintenance of order. Fuller experience with these people, however, has shown that the sovereignty of the Sultan is little more than nominal and that he has not the power, even if he has the will, to maintain order. The people are really governed by a number of chiefs or "dattos," who pay very little attention to the theoretical authority of the Sultan. Some of these are friendly to the Americans and some of them have become exceedingly insolent and defiant, committing or permitting their people to commit frequent thefts and assaults and contemptuously repudiating any subordination to American sovereignty. I said in my last report:

> Now that the insurrection has been disposed of we shall be able to turn our attention, not merely to the slave trade, but to the already existing slavery among the Moros. We can not immediately free the slaves by a single act, first, because it would require a war of extermination in which a large part of the slaves would probably be found fighting against us, and, second, because a large part of them would have nowhere to go and no way to live if deprived of the protection and support of their present masters. I believe, however, that we can maintain a process of gradual and steady reduction, resulting ultimately in the extinction of the practice of slavery.

The conditions which I have described, as long as they exist, will be an insuperable barrier to carrying out the intention thus expressed, as it is found that the Sulu Moros are not only continuing the practice of slavery, but are actively engaged in the slave trade.

It has thus become plain that the Bates agreement of 1899, which served a useful purpose at that time, can no longer be depended upon as an instrument of government, and that a new arrangement must be substituted in its place under which American authority operates directly upon the dattos, who are the real controlling powers in the Sulu Archipelago. Gen. Samuel S. Sumner, commanding the Department, in his report of June 30, 1903, said of that agreement:

> Without going into a discussion of the Bates agreement, I do not believe any development can take place or any advance be made so long as the treaty stands. It was made, as I am informed, to meet and cover an emergency; its use as a temporary measure has passed, and we should now replace it by some wise and just measures that will allow us to get into personal contact and have more direct control and supervision of these people.

General Davis, commanding the Division of the Philippines, says in his report of July 26, 1903:

> The Bates agreement with the Sultan of Sulu, which it appears was advised by the Schurman Commission, is an obstacle to the establishment of good government; but there have been many instances of failure on the Sultan's part to observe the requirements of the contract, and the bargain is voidable on the part of the United States in its discretion. The Filipino legislation by Congress of March 2, 1902, makes no mention of this agreement; although it is expressly provided in the conditional approval of it by the President, notice of which was communicated to General Otis by the Secretary of War on October 27, 1899, that the agreement was made subject to the action of Congress under the Paris Treaty; also, that the Sultan and his dattos be made to distinctly understand that this agreement was not to be understood as in any way to authorize or give the consent of the United States to the existence of slavery in the Sulu Archipelago. As slavery has been continuously practiced there and is now common, and as the Sulu Moros are known to have continued to purchase slaves from outside the Sulu group and themselves to have engaged in the slave trade continuously and persistently, the United States has further justification for declaring the agreement as null and void.

On June 1, 1903, proceeding in accordance with the views of future government above expressed, the Philippine Commission enacted a new law for the government of the Sulu Moros, prepared in conference with General Davis, the commander of the Division of the Philippines, and receiving his approval. This statute provides for a civil government of simple form, with a governor who may be the officer commanding the military forces in that region, and aims to bring the Sulu Moros under the immediate control of the law without intervention of the Sultan, and to deal directly with the practice of slavery. A copy of the law is annexed hereto as Appendix H. Brig. Gen. Leonard Wood, formerly Military Governor of Cuba, was selected for

the dual position of military commander and civil governor under this statute. He reached Manila in July last, and is now at his post. It was anticipated that the establishment of the new system of government and the bringing of the defiant dattos under American control would probably result in resistance and hostilities by some of them. That has proved to be the case, and recent telegraphic dispatches show that it has been necessary to administer to one of the strongest of those dattos the same kind of lesson which had already been given in the Lake Lanao district.

ARMY LEGISLATION.

Aside from such action as may be called for by a further study of coast-defense problems, I do not think that any important legislation regarding the Army will be advisable for some time to come. Occasion for some minor changes will of course develop from time to time, and it is important that Congress should continue the appropriations necessary for carrying on the policy already adopted in various directions; but very great and radical changes have been made in many respects during the past six years, and the Army should have time to put the new laws into operation and work out the new methods under the direction of the General Staff without further disturbance. Experience will of course develop occasion for some improvements in the new statutes, but these should not be attempted until the full results of experience have been attained.

The three-battalion organization of infantry, the corps organization of artillery, the authority vested in the President to vary the numbers of the Army between minimum and maximum limits, the system of details to the Staff, with compulsory return to line service at fixed intervals in place of permanent staff organizations, the system of general staff supervision and control, the new militia system providing for cooperation with the Regular Army, the enlarged system of military education culminating in the Army War College as an adjunct to the General Staff, all appear to be working well and are enlisting the best efforts of the officers of the Army. They should be let alone until some reason for interfering with them appears as the result of trial.

Some criticism has been made upon the detail system as applied to the Ordnance Department, upon the ground that it has failed to secure the requisite number of lieutenants for the ordnance service. I do not agree with that criticism. It is true that while the statute allows 24 first lieutenants to the Ordnance Department, we have but 7, but the reason for this is the deficiency of experienced junior officers in the Artillery Corps from which in the main the material for the Ordnance Corps must be obtained.

The Chief of Artillery in his report of November 12, 1903, says upon this subject:

> It will appear that only about 34 per cent of the total number of artillery officers present for duty have had over five years' experience in the artillery. The gravity of this situation will be readily appreciated when it is recalled that at the present time the duties and responsibilities of an artillery officer are greater than ever before. It is neither good administration, nor fair to the officer concerned, to put an inexperienced one in a position of command where ignorance may result in the loss of human life, or in the destruction of thousands of dollars of Government property.

When it is remembered that the 13 colonels, the 15 lieutenant-colonels, the 44 majors, and the 202 captains of the Artillery Corps constitute more than 34 per cent of the corps, it will readily be seen that there are but few lieutenants who are included among the experienced officers referred to by the Chief of Artillery and few who are available for transfer to the Ordnance Corps. There would have been no difficulty at any time within the past two years in completely filling the list of lieutenants in the Ordnance Corps by details from the artillery if a sufficient number could have been spared from the small number of artillery lieutenants fitted for the ordnance service. The details have not been made because artillery officers should not go into the ordnance without a considerable amount of previous artillery service, and because that service, under the existing conditions of the new artillery equipment, is a matter of primary consequence. This is a temporary condition and can readily be dealt with in the near future without any change of the law. There are now 79 officers of the line serving in the special staff departments under details pursuant to the act of February 2, 1901. Of these, there are in the Adjutant-General's Department, 20; Inspector-General's Department, 11; Quartermaster's Department, 20; Subsistence Department, 4; Pay Department, 9; Ordnance Corps, 5; Signal Corps, 10. They are all performing their duties satisfactorily, and there is no reason to be found in our experience thus far for doubting the wisdom of the conclusion reached by Congress in the establishment of the detail system.

EXPENDITURES, APPROPRIATIONS, AND ESTIMATES.

The expenditures for the fiscal year ended June 30, 1903, the estimates of appropriations for the fiscal year ending June 30, 1904, the appropriations for the present fiscal year, and the estimates of appropriations required for the fiscal year ending June 30, 1905, are as follows:

General object.	Expenditures for the fiscal year ended June 30, 1903.	Estimates for the fiscal year ending June 30, 1904.	Appropriations for the fiscal year ending June 30, 1904.	Estimates for the fiscal year ending June 30, 1905.
CIVIL ESTABLISHMENT.				
Salaries, regular force	$1,295,713.10	$1,859,126.00	$1,310,446.00	$1,829,926.00
Salaries, temporary force	561,270.42		541,430.00	
Stationery, War Department	19,728.39	25,000.00	25,000.00	25,000.00
Contingent expenses, War Department	52,715.06	50,000.00	50,000.00	50,000.00
Rent, War Department	14,400.00	15,600.00	16,800.00	18,800.00
Postage, War Department		500.00	500.00	500.00
Salaries and contingent expenses under Superintendent Public Buildings and Grounds	67,045.71	70,670.00	68,810.00	68,810.00
Statement of receipts and expenditures in Cuba and the Philippine Islands	17,500.00			
Total civil establishment	2,028,372.68	2,020,896.00	2,012,986.00	1,993,036.00
MILITARY ESTABLISHMENT.				
All contingent expenses	17,732.54	45,500.00	45,500.00	45,500.00
United States service schools	24,735.91	25,000.00	25,000.00	25,000.00
Army War College		15,000.00	15,000.00	15,000.00
Signal Service of the Army	343,947.85	549,000.00	549,000.00	208,500.00
Military telegraph and cable lines, Alaska	161,007.20			
Pay, etc., of the Army	28,064,029.24	29,672,364.87	28,121,561.83	30,380,900.13
Subsistence of the Army	5,425,592.73	7,338,955.80	7,000,000.00	7,377,610.00
School of Submarine Defense, Fort Totten, N. Y		18,000.00	18,000.00	20,000.00
Submarine cable, Washington to Alaska	223,000.00		485,000.00	
Submarine cable, Sitka to Fort Liscum, Alaska				321,580.00
Historical Register of the United States Army			15,000.00	
Regular supplies, Quartermaster's Department	5,197,894.62	5,500,000.00	5,000,000.00	5,000,000.00
Incidental expenses, Quartermaster's Department	1,637,539.47	2,300,000.00	2,200,000.00	2,200,000.00
Barracks and quarters	2,963,330.40	4,750,000.00	4,750,000.00	4,750,000.00
Barracks and quarters, Philippine Islands	1,703,966.32	500,000.00	500,000.00	365,590.00
Army transportation	16,192,371.73	16,000,000.00	15,500,000.00	15,500,000.00
Cavalry, Artillery, and Engineers' horses	237,583.86	450,000.00	400,000.00	400,000.00
Clothing, etc	2,302,915.62	4,750,000.00	4,750,000.00	4,000,000.00
Construction and repair of hospitals	143,963.82	435,000.00	475,000.00	475,000.00
Quarters for hospital stewards	14,697.92	15,000.00	15,000.00	15,000.00

General object.	Expenditures for the fiscal year ended June 30, 1903.	Estimates for the fiscal year ending June 30, 1904.	Appropriations for the fiscal year ending June 30, 1904.	Estimates for the fiscal year ending June 30, 1905.
MILITARY ESTABLISHMENT—cont'd.				
Shooting galleries and ranges	$10,443.48	$35,000.00	$35,000.00	$35,000.00
Military post exchanges	50,373.00		500,000.00	500,000.00
Army general hospitals	71,682.88			
Medical and Hospital Department	586,293.83		450,000.00	550,000.00
Army Medical Museum and Library	12,577.19	15,000.00	15,000.00	15,000.00
Engineer depot	13,000.00	16,500.00	16,500.00	16,500.00
Engineer depot, Willets Point, N. Y.	8,996.34			
Engineer school, Washington, D. C	30,000.00	25,000.00	25,000.00	25,000.00
Buildings, Engineer School, Washington, D. C	73,000.00	360,000.00	360,000.00	
Buildings, Army War College, Washington, D. C	62,500.00			300,000.00
Engineer equipment of troops	24,530.16	25,000.00	25,000.00	25,000.00
Civilian assistants to engineer officers	17,871.50	25,000.00	25,000.00	25,000.00
Ordnance service	297,755.14	300,000.00	300,000.00	300,000.00
Ordnance, ordnance stores, and supplies	2,598,886.49	2,480,691.00	2,480,691.00	2,450,266.00
Manufacture of arms	1,006,478.69	1,700,000.00	1,700,000.00	1,700,000.00
Ammunition for morning and evening gun	24,788.44	25,000.00	25,000.00	13,500.00
Artillery targets	10,101.92	40,000.00	40,000.00	41,500.00
New arms and equipments for organized militia			2,000,000.00	
National trophy and prizes for Army and Militia			2,500.00	
Converting muzzle-loading guns for saluting purposes				40,000.00
Emergency fund, War Department	76,187.43			
Expeditionary force to Cuba	54.17			
Equipment of officers' schools, military posts			25,000.00	25,000.00
Military Academy	511,792.82	575,503.62	561,591.67	633,366.92
Total military establishment	70,141,622.71	77,986,515.29	78,450,344.50	77,794,813.05
PUBLIC WORKS.				
Arsenals, etc	747,613.85	884,436.00	345,000.00	551,000.00
Gun and mortar batteries	1,791,782.97	4,325,000.00	2,459,925.00	2,500,000.00
Torpedoes for harbor defense	52,390.41	430,334.00	153,000.00	475,000.00
Sites for fortifications and seacoast defenses	67,465.30	2,000,000.00	200,000.00	500,000.00
Preservation and repair, and plans for fortifications	280,965.09	305,000.00	305,000.00	305,000.00
Sea walls and embankments	100,336.10	160,000.00	89,575.00	200,000.00
Armament of fortifications	3,298,194.31	6,827,010.00	3,574,973.22	6,427,060.00
Board of Ordnance and Fortification	84,236.08	200,000.00	100,000.00	100,000.00
Other fortifications appropriations	674,346.94	757,076.00	305,943.00	1,592,237.00
Buildings and grounds in Washington, etc	863,373.71	154,650.00	198,670.00	299,670.00
Erection of monuments, etc	7,700.00		112,500.00	
Buildings and grounds, Military Academy	363,029.31	121,430.20	91,157.00	412,020.09
Military posts	1,710,818.28	5,014,737.50	3,214,937.50	1,709,528.32
National military parks	664,613.39	425,600.00	481,500.00	335,000.00

General object.	Expenditures for the fiscal year ended June 30, 1903.	Estimates for the fiscal year ending June 30, 1904.	Appropriations for the fiscal year ending June 30, 1904.	Estimates for the fiscal year ending June 30, 1905.
PUBLIC WORKS—continued.				
River and harbor improvements under the continuing-contract system		$16,570,339.33	$18,228,150.99	$8,697,037.00
River and harbor improvements under the Mississippi River Commission	$19,635,082.21	2,000,000.00	2,000,000.00	345,000.00
Improving rivers and harbors under the Chief of Engineers				16,048,990.00
Total public works	30,341,947.95	40,175,613.03	31,860,331.71	40,497,542.41
MISCELLANEOUS.				
National cemeteries, etc	264,879.68	265,380.00	253,230.00	287,853.00
Surveys, maps, etc	160,584.73	180,100.00	150,100.00	151,100.00
Artificial limbs and appliances	484,443.08	154,000.00	154,000.00	122,000.00
California Débris Commission	8,181.50	15,000.00	15,000.00	15,000.00
Bringing home the remains of officers, soldiers, and civil employees who die abroad, and soldiers who die on transports	90,722.61	45,000.00	45,000.00	45,000.00
Prevention of deposits, harbor of New York	80,218.64	120,260.00	120,260.00	73,260.00
National Home for Disabled Volunteer Soldiers	3,934,412.82	4,039,458.00	4,894,813.00	3,976,789.00
Aid to State and Territorial Homes	1,031,355.43	950,000.00	950,000.00	950,000.00
Miscellaneous items	11,020.70	37,213.10	3,011,280.00	23,000.00
Total miscellaneous	6,065,819.19	5,806,411.10	9,593,683.00	5,644,002.00
Grand total	108,577,762.53	125,989,435.42	121,917,345.21	125,929,393.46

RECAPITULATION.

General object.	Expenditures for the fiscal year ended June 30, 1903.	Estimates for the fiscal year ending June 30, 1904.	Appropriations for the fiscal year ending June 30, 1904.	Estimates for the fiscal year ending June 30, 1905.
Civil establishment	$2,028,372.68	$2,020,896.00	$2,012,986.00	$1,993,036.00
Military establishment (support of the Army and Military Academy)	70,141,622.71	77,986,515.29	78,450,344.50	77,794,813.05
Public works (including fortifications and river and harbor improvements)	[a] 30,341,947.95	40,175,613.03	31,860,331.71	40,497,542.41
Miscellaneous	6,065,819.19	5,806,411.10	9,593,683.00	5,644,002.00
Grand total	108,577,762.53	125,989,435.42	121,917,345.21	125,929,393.46

[a] Including expenditures from national defense.

RECAPITULATION—Continued.

General object.	Increase of estimates for 1905 as compared with estimates for 1904.	Decrease of estimates for 1905 as compared with estimates for 1904.	Increase of estimates for 1905 as compared with appropriations for 1904.	Decrease of estimates for 1905 as compared with appropriations for 1904.
Civil establishment		$27,860.00		$19,950.00
Military establishment (support of the Army and Military Academy)		191,702.24		655,531.45
Public works (including fortifications and river and harbor improvements)	$321,929.38		$8,637,210.70	
Miscellaneous		162,409.10		3,949,681.00
Grand total	321,929.38	381,971.34	8,637,210.70	4,625,162.45
Less increase		321,929.38		
Net decrease of estimates for 1905 as compared with estimates for 1904		60,041.96		
Less decrease			4,625,162.45	
Net increase of estimates for 1905 as compared with appropriations for 1904			4,012,048.25	

A comparative statement of the last five estimates submitted to Congress for the support of the military establishment proper, and of the appropriations and expenditures thereon, is as follows:

	Estimates.	Appropriations.	Expenditures.
Submitted in December, 1899, for the fiscal year ending June 30, 1901	$128,170,583.54	$114,586,229.22	$105,702,101.02
Submitted in December, 1900, for the fiscal year ending June 30, 1902	113,568,319.39	116,249,552.78	79,284,252.77
Submitted in December, 1901, for the fiscal year ending June 30, 1903	99,849,436.45	92,283,634.83	70,306,044.71
Submitted in December, 1902, for the fiscal year ending June 30, 1904	77,986,515.29	78,450,311.50	
Submitted in December, 1903, for the fiscal year ending June 30, 1905	77,794,813.05		

It will be observed that estimates have progressively decreased. The estimate for 1901 was, in round numbers, $128,000,000; for 1902, $113,500,000; for 1903, $99,800,000; for 1904, $77,900,000; for 1905, $77,700,000. Upon the estimate for $128,000,000 for 1901, the appropriations were $114,500,000 and the expenditures $105,700,000; upon the estimate for $113,500,000 for 1902, the appropriations were $116,000,000 and the expenditures $79,000,000; upon the estimate for $99,800,000 for 1903, the appropriations were $92,000,000 and the expenditures $70,000,000.

The estimates presented this year for the support of the military establishment proper, involving chiefly things consumed during the year, are $655,000 less than last year's appropriations and $191,000

less than last year's estimates. On the other hand, we are asking Congress for considerable increases in appropriations for investment in permanent plant, such as sites for fortifications and seacoast defenses, torpedoes for harbor defense, gun and mortar batteries, armament of fortifications, coast artillery fire-control installations, arsenals, and sea walls and embankments.

Expenditures from indefinite and permanent annual appropriations and appropriations for war claims and relief acts are not included in the above statement, but are shown in Appendix I to this report, which is a complete and detailed statement of all appropriations under the direction of the War Department for the fiscal year ended June 30, 1903, showing the balances from appropriations of the preceding fiscal year, the amounts appropriated under each title of appropriation, the amounts drawn from the Treasury upon requisition, and the unexpended balances June 30, 1903.

GOVERNMENT OF THE PHILIPPINES.

The report of the Philippine Commission, made pursuant to section 86 of the Philippine government act of July 1, 1902, will contain a general review of the conduct of government in the archipelago during the past year, and I shall not now enter upon any general discussion of that subject. The report of the Commission has been signed and mailed to the War Department. Upon its arrival it will be transmitted to Congress.

Governor Taft telegraphed the Department November 30, 1903:

> Reports received from all parts of the Philippine Archipelago show that there was never a time in the history of the islands when the Christian provinces were freer from disturbances than they are to-day.

Land laws.—Section 13 of the Phillippine government act contains the following provisions:

> That the government of the Philippine Islands, subject to the provisions of this act and except as herein provided, shall classify according to its agricultural character and productiveness, and shall immediately make rules and regulations for the lease, sale, or other disposition of the public lands, other than timber or mineral lands, but such rules and regulations shall not go into effect or have the force of law until they have received the approval of the President, and when approved by the President they shall be submitted by him to Congress at the beginning of the next ensuing session thereof, and unless disapproved or amended by Congress at said session they shall at the close of such period have the force and effect of law in the Philippine Islands.

I transmit herewith an act passed by the Philippine Commission, in compliance with the above-quoted section, on the 7th of October, 1903, and I recommend that the said act be approved by the President and be submitted by him to Congress at the beginning of the next session.

I send also with the act a letter of transmittal from the civil governor of the Philippine Islands to the Secretary of War, dated October 10, 1903, and a letter explaining the act, signed by a majority of the Philippine Commission, dated October 15, 1903.

The census.—The taking of the census of the Philippine Islands, directed by section 6 of the Philippine government act, has been completed under the direction of Brig. Gen. Joseph P. Sanger, U. S. Army, and the compilation of the results is now in progress in Washington, with the aid of the United States Census Bureau, authorized by said section 6, and by the deficiency appropriation act of March 3, 1903.

General Sanger reports that a rough count of the results, which is subject to change when the tabulated statement is made, gives the civilized people of the entire archipelago as 6,975,000 and the wild tribes 615,000; total, 7,590,000.

Philippine coinage.—Under the authority of sections 76 to 83, inclusive, of the Philippine government act, and of the act entitled "An act to establish a standard of value and to provide for a coinage system in the Philippine Islands" approved March 2, 1903, the Philippine government has coined 14,145,000 silver pesos, 3,100,000 50-centavo pieces or half pesos, 5,350,000 20-centavo pieces, 5,100,000 10-centavo pieces, 8,850,000 5-centavo pieces, 10,600,000 1-centavo pieces, 11,950,000 half-centavo pieces, making an aggregate in face value of 17,883,250 silver pesos, each of the face value of one-half an American gold dollar, and having an aggregate face value of $8,941,625 gold money of the United States. Eleven million three hundred and fifty-five thousand of the pesos were coined at the San Francisco mint, the remaining pesos and all the subsidiary coins at the Philadelphia mint.

I wish to acknowledge the efficient and painstaking way in which this work has been done by the officers of the United States Mint, and the very great kindness and alacrity with which they and the officers of the Treasury Department generally have aided the representatives of the Philippine government in this business. The coins were made from designs by Melecio Figueroa, a Filipino artist of distinction, and both in the artistic quality of the designs and in perfection of workmanship they compare favorably with anything of the kind ever done in America.

The silver bullion purchased for this coinage amounted to 13,520,895.82 ounces. The cost of the bullion amounted to $7,372,990.11. The purchases were made through the officers of the Mint. Of the amount purchased, 1,115,234.52 ounces were purchased from the Mexican Pious award fund in the hands of the Department of State. These purchases were made at the London price at the time of delivery at

the San Francisco mint. The remainder was purchased from various firms and corporations upon offers tendered to the Director of the Mint Mondays and Thursdays of each week, in response to a public invitation by him. Of the total amount of silver bullion purchased for coinage purposes there remain 43,324.85 ounces not used in the above-mentioned coinage, and the cost of this surplus amounted to $30,401.22, leaving the total quantity of silver bullion actually consumed in making the coins above specified 13,478,448.07 ounces and the cost thereof $7,342,588.89. The surplus of 43,324.85 ounces of silver will be used for further subsidiary coinage.

The prices at which this silver bullion was purchased ranged from 49.10 cents per ounce to 60.47 cents per ounce. The average price paid was 55.193 cents per ounce. This makes the cost to the Philippine government of the silver in each peso coined equal to 43.05 cents. The difference between the actual cost of the bullion consumed in making the coins above mentioned, including the cost of base metal for alloy and minor coins, and the total face value of the coinage, is $1,495,644.85. The total cost of coining, transportation, insurance, packing, and miscellaneous expenses was $256,930.35, leaving a seigniorage or profit to the Philippine government consisting of the difference between the face value of the new coins and the total cost of the new coins delivered in Manila, amounting to $1,238,714.50. This sum will go into the special fund for the maintenance of parity between the new coins and the money of the United States.

Silver certificates.—Section 8 of the act of March 2, 1903, authorized the treasurer of the Philippine Islands, in his discretion, to receive deposits of the standard silver coins of 1 peso in sums of not less than 20 pesos, and to issue silver certificates therefor in denominations of not less than 2 nor more than 10 pesos, retaining the deposited coin in the Treasury "to be held and used for the payment of such certificates on demand, and for no other purpose;" thus supplying for public convenience Government notes representing silver coin actually held by the Government as against the notes.

Under this provision certificates have been engraved, printed, and delivered at Manila representing 10,000,000 silver pesos. Of these, 4,000,000 were in 10-peso notes, 4,000,000 in 5-peso notes, and 2,000,000 in 2-peso notes. This work was admirably done by the very considerate and public-spirited cooperation of the Bureau of Engraving and Printing. The 10-peso notes bear the engraved vignette of President Washington; the 5-peso notes, of President McKinley, and the 2-peso notes, of the Philippine patriot and poet Rizal.

As a guide for the establishment of an adequate system of checks and safeguards in transacting the business of deposit, issue, and redemption required for the use of these notes as the representatives

of coin, a careful study has been made of the method followed by the United States Treasury Department in the issue and redemption of silver certificates and a full statement thereof, together with the blank forms used, has been forwarded to the Philippine government at Manila. The cost of material, engraving, printing, transporting, and insuring the ten million pesos of silver certificates has been $39,365.36.

Issue of certificates of indebtedness. The money for the purchase of bullion and expense of coinage was furnished in part from the general funds of the Philippine government and in part by the issue of certificates of indebtedness under the authority of section 6 of the Philippine coinage act of March 2, 1903. That section provides that in order to maintain parity between said silver Philippine pesos and the gold pesos provided for by the act, the Philippine government may issue temporary certificates of indebtedness to the extent of $10,000,000 or 20,000,000 pesos, running not more than one year and bearing interest not to exceed 4 per cent. And it provides that the proceeds of such certificates shall be used exclusively for the maintenance of said parity, except that a sum not exceeding $3,000,000 at any one time may be used as a continuing credit for the purchase of silver bullion.

Under these provisions certificates of indebtedness payable one year after date and bearing 4 per cent interest have been issued and sold in the United States to the amount of $6,000,000. Three million dollars thereof, issued specifically for the purchase of bullion, were sold on the 20th of April, 1903, at a premium of 2.513 per cent. The other $3,000,000 thereof, issued specifically for the creation of a gold reserve fund for the maintenance of parity, were sold on the 25th of August, 1903, at a premium of 2.24 per cent, making an average premium of 2.3765 per cent, and making the interest charge to the Philippine government for the use of the money borrowed for one year 1.6235 per cent, or in round figures 1⅝ per cent.

These sales were made upon public advertisement for bids, and the extraordinarily favorable result was due not merely to the credit of the Philippine government, but to the fact that the Secretary of the Treasury authorized the War Department to announce that the certificates would be received by the Treasury Department as security for the deposit of United States funds in the national banks, under certain specified conditions.

Competition between the two depositaries of insular funds in the city of New York had been previously invited, and as the result of this competition the $6,000,000 thus borrowed by the Philippine government at 1⅝ per cent per annum was deposited with the Guaranty Trust Company of New York at 3½ per cent interest on daily balances.

The ultimate result of the two transactions is that the Philippine

government will have obtained the money to carry through the new coinage without any interest charge, and will make an interest profit on the indebtedness contracted for that purpose.

Circulation. It is estimated that there are now in circulation in the archipelago between eleven and twelve million pesos of the Spanish-Filipino coinage of all denominations. It is the purpose of the Philippine government to take steps to get this coinage into the Treasury and to recoin the silver thus supplied into the new Filipino coins, thus bringing the aggregate of the new coinage up to about twenty-eight million pesos. This will, in the judgment of the Commission, meet the present requirements of the islands. The purchase of silver bullion for coinage purposes has accordingly been suspended.

It is the purpose of the Philippine government to exercise the authority conferred upon it by section 7 of the Philippine coinage act of March 2, 1903, and declare the Mexican silver dollars heretofore in use in the Philippine Islands to be no longer receivable for public dues after the 1st day of January, 1904.

In anticipation of the demonetization of Mexican dollars those coins have been largely shipped out of the islands, leaving in circulation there an amount which is estimated at not exceeding 4,000,000 pesos. To supply the need for currency thus created, 8,210,307 pesos of the new coinage have already passed into circulation (including 3,305,116 pesos deposited in Manila banks, about one-third of which probably remains in the hands of the banks). No serious difficulty is anticipated in the absorption of the entire amount coined after the demonetization of Mexicans, January 1, 1904.

Monetary Commission.—The intimate trade relations between the Philippines and the silver-currency countries of Asia make the relations between gold and silver in those countries a matter of great practical importance to the Philippine government. That government has followed with great interest the course of the Commission recently appointed by the Government of the United States upon the request of the Governments of Mexico and China that the United States should join them in seeking to establish a more stable relation between the moneys of the gold-standard countries and of the countries now upon the silver standard.

Under the recent legislation of Congress the business of the Philippine Islands is about to be put upon the gold-standard basis. Any action which leads to the adoption of a gold monetary system in China will be of material advantage to the Philippines. The promotion of that object during the past summer by the conferences between the above-mentioned American Commission, the commission from the Republic of Mexico, and the similar commissions of the chief countries of Europe is regarded with gratification by the Philippine government,

which hopes that this effort may receive further encouragement and support from the Congress of the United States.

Tariff relations.—The act entitled "An act temporarily to provide revenue for the Philippine Islands, and for other purposes," approved March 8, 1902, provided in the fourth section—

> that all duties collected in the United States upon articles coming from the Philippine Archipelago, and upon foreign vessels coming therefrom, shall be held as a separate fund to be paid into the Philippine treasury for the benefit of the islands.

The amount collected in the United States, and paid over, or to be paid over, under this provision, amounted during the year 1902 to $73,218.29, and for the first eight months of 1903 to $225,443.75, making an aggregate of $298,662.04.

The second section of the same act provided that articles, the growth and product of the Philippine Islands, exported to the United States should be exempted from the export duties imposed generally upon such articles under the Philippine tariff law.

The export duties refundable under this provision during the same period—that is to say, from March, 1902, to August, 1903, inclusive—amounted to $701,336.28, making a net loss to the Philippine treasury from the operation of these two provisions of $402,674.

When the act of March 8, 1902, was under consideration, it was supposed that the provision of section 4 in favor of the Philippines would more than counterbalance the provision of section 2 for the benefit of America at the expense of the Philippines. It is now apparent that the contrary is the case, and that the result of the two provisions is to deplete the Philippine treasury for the benefit of American consumers.

One effect of the legislation regulating the commercial relations between the United States and the Philippines has been to transfer the principal market for the raw material for our cordage industry from England to the United States. The total exports of hemp from the Philippines for the past five years have been as follows:

1899	$6,666,886
1900	11,398,943
1901	14,453,110
1902	15,841,316
1903	21,701,575

During the same years the hemp exports to the United States have been:

1899	$2,492,274
1900	3,446,141
1901	2,402,867
1902	7,261,459
1903	12,314,312

At the same time the importations of hemp into the United States from other countries have decreased as follows:

1899	$2,817,137
1900	2,147,598
1901	2,870,812
1902	4,236,802
1903	982,837

That is to say, while the cordage and binding twine industry of the United States, which is so essential to American agriculture, paid a profit to European countries on about half of its raw material before this legislation, it now obtains substantially all of its raw material directly from the country of its origin without the payment of any intermediate profit.

Notwithstanding the adverse conditions occasioned by the rinderpest, surra, drought, cholera, locusts, and ladrones during the last few years the general trade of the islands has increased. During the last five years of peaceful conditions under Spanish rule, from 1890 to 1894, inclusive, the trade reports show an annual average of trade, inclusive of coin:

Imports	$15,827,694
Exports	19,751,293
Total trade	35,578,987

During the fiscal year 1903 the trade reports show, exclusive of coin and Government supplies:

Imports	$32,971,882
Exports	33,121,780
Total trade	66,093,662

Imports from the United States show a general increase. They have been as follows:

1899	$1,150,613
1900	1,657,701
1901	2,855,685
1902	4,035,243
1903	3,944,098

The total Philippine exports to the United States, however, aside from hemp have amounted only to the following sums:

1899	$1,048,620
1900	76,019
1901	169,154
1902	430,284
1903	1,548,747

The fiscal year 1903 shows a balance of trade in favor of the islands for the first time during American occupation of $149,898.

The unprecedented shortage of food supplies in the islands, owing to the causes described in my last report and indicated above, has required the people of the islands to expend an abnormally large part of the moneys received by them from exported products in the purchase of food, consisting chiefly of rice imported from China and the French East Indies. The increased importation of rice in 1903 over that of 1902 amounted to nearly $3,500,000.

Under normal crop conditions this sum would naturally be added to the purchases of manufactured products. Nor is there any reason why the Philippines should not be, as they formerly were, in the list of rice-exporting countries. The purchasing power resulting from this normal productive capacity ought to result in a largely increased trade with the United States.

I earnestly renew the recommendation which I have already made for a reduction of duties upon Philippine imports into the United States. As matters stand at present we have practically deprived the Philippines of their Spanish market, and we have so arranged the tariff laws of the two countries that American consumers are making money at the expense of the Philippine revenues. I submit that there is no just reason why the people of the Philippines should not be treated with some fair approach to the advantages which are awarded to the people of Porto Rico and the Hawaiian Islands.

Relief fund.—The army appropriation act of March 3, 1903, appropriated $3,000,000 "for the relief of the distress in the Philippine Islands, to be expended under the direction and in the discretion of the Philippine government in such proportions as they deem wise, in the direct purchase and distribution or sale of farm implements, farm animals, supplies, and necessaries of life, and through the employment of labor in the construction of government wagon roads and other public works."

The sum specified was put to the credit of the Philippine government promptly after the passage of the act and has been held as a special fund for the purposes described in the act.

That government, in the exercise of its discretion, determined to expend about one-third of the sum in the purchase of farm animals, one-third in the employment of labor for the construction of public works, and one-third for the purchase of food supplies. Contracts have been made for purchase of 10,000 carabaos at $35 each, and much useful road making and improvement of waterways is in progress, the labor upon which is paid for by issues of rice.

Immigration law.—Section 22 of the act entitled "An act to regulate the immigration of aliens into the United States," approved March 3, 1903, provides that the Commissioner-General of Immigration of the United States shall, under the direction of the Secretary of the Treasury, have charge of the administration of all laws relating to the immigration of aliens into the United States.

Section 33 of the same act provides:

> That for the purposes of this act the words "United States" as used in the title as well as in the various sections of this act, shall be construed to mean the United States, and any waters, territory, or other place now subject to the jurisdiction thereof.

Under these two provisions the question has arisen whether it is not the duty of the Commissioner-General of Immigration of the United States to assume charge of the adminstration of the immigration law in the Philippine Islands.

Of course the immigration laws in the Philippine Islands can be much more efficiently and economically administered by the collectors of customs, who are responsible to the Philippine civil government; and the creation of a separate machinery, the officers of which, while performing their duties in the Philippines, will be independent of the Philippine government and responsible to the Commissioner of Immigration in Washington, would be contrary to the principles of administration which have controlled Congress in all its legislation regarding the Philippine government.

By common consent the question has been held in abeyance to await such action as Congress may see fit to take to resolve the existing doubt.

I have no doubt myself that under the statutes the power now rests in the Philippine government, but since the question has been raised I recommend that in some appropriate statute a clause be introduced making clear the right and duty of the Philippine government to continue administering the immigration law in the archipelago as they have heretofore administered it.

Navigation laws.—Section 3 of the act of Congress of March 8, 1902, relating to the Philippine tariff, provides—

> That until July 1, 1904, the provisions of law restricting to vessels of the United States the transportation of passengers and merchandise directly or indirectly from one port of the United States to another port of the United States shall not be applicable to foreign vessels engaging in trade between the Philippine Archipelago and the United States or between ports in the Philippine Archipelago.

But for this suspension, under the decision of the Supreme Court in the Porto Rican case of Huus *vs.* The New York and Porto Rico Steamship Company, the navigation laws of the United States may be held to prohibit any vessel not built in the United States and owned by a citizen of the United States from engaging in either one of two entirely distinct classes of trade: First, inter-island trade throughout the archipelago; and second, trade between the United States and the Philippine Islands. As to the inter-island trade it is quite certain that unless there be a further suspension of the navigation laws or other legislative relief consequences very disastrous to the islands will result.

The waterways among the islands are, of course, the great internal highways of the country. The business is largely done by a great number of small vessels, in the main owned by the people of the islands. There are now engaged in the coastwise trade of the islands 3,471 vessels, with an aggregate tonnage of about 108,000 tons. Of these, 135 are steamers, with a gross tonnage of 49,790 tons; 46 are steam launches, and the remainder sailing vessels. None of the steamers is of American origin and ownership, and but three of the sailing vessels, and their gross tonnage is 610 tons.

The present tonnage is inadequate for the demands of the growing trade of the islands, and there is undoubtedly a field for the profitable use of American shipping in the interisland trade. Some provision, however, should be made to prevent a situation in which the laws of the United States will make it illegal for the Philippine people to use their own vessels in their own internal trade and which will practically require the trade of the islands to be carried on in violation of law.

As to the trade between the United States and the Philippines, the returns show that during the fiscal year 1903, out of the $13,863,059 of exports from the Philippines into the United States, nearly 97 per cent, and of the imports from the United States into the Philippines approximately 90 per cent were carried in foreign vessels. At the time of the passage of the act of March 8, 1902, the supply of American vessels on the Pacific was quite inadequate to the transaction of this business. The Commissioner of Navigation has kindly furnished a list of American steamers which are now or will be before the end of the calendar year 1904 employed in trade between the Pacific coast ports and the Orient.

This list shows 17 steamers with a gross tonnage of 145,512 tons, about three times the American tonnage available at the time of the passage of the act. It seems probable that there will be by the 1st of July, 1904, a sufficient supply of American ships to do the freight business between the Pacific ports and Manila. Before determining whether to permit the present suspension to expire, it is important that full consideration shall be given to the effect of article 4 of the treaty of Paris, which provides:

> The United States will for a term of ten years from the date of the exchange of the ratification of the present treaty admit Spanish ships and merchandise to the ports of the Philippine Islands on the same terms as ships and merchandise of the United States.

Philippine railroads.—On January 5th, 1903, the Senate adopted the following resolution:

> *Resolved*, That the Secretary of War be, and he is hereby, directed to inform the Senate what effect, in his opinion, an adequate system of railroads in the Philippine Islands would have upon the cost of maintaining law and order and protecting life and property in those islands, and whether, in his opinion, the expense of protecting life and property and maintaining a stable government would be reduced by such

a system of railroads in a sum sufficient to equal the interest on the money necessary to build and operate such roads.

To which the Secretary replied as follows:

In my opinion an adequate system of railroads in the Philippine Islands would greatly reduce the cost of maintaining law and order and protecting life and property in those islands. I think the difference between the cost of maintaining a stable government, accomplishing these ends with such a system of railroads, and maintaining a government of equal efficiency without railroads would be greater than the interest on the money necessary to build and operate the roads.

Experience has shown that the building of a railroad in an unsettled country does not merely reduce the cost of policing the country, but greatly decreases the necessity of policing it. The moral effect of rapid communication with central authority is to discourage disorder. The increase in the value of property, the improvement of business, the distribution of money, the employment of labor, the constant travel and communication among the inhabitants, dispelling ignorance and prejudice—all these combine to reduce the cost and increase the efficiency of peaceful and orderly government.

In Luzon alone there are some thirty provinces, in which eight or nine different languages and over sixty different dialects are spoken, and there is special need of means to make the people homogeneous and capable of uniting in common self-government.

We have on this continent two notable illustrations of the foregoing views—in the discontinuance of insurrection following the building of railroads in Mexico and in the effect on Indian disturbances produced by our own transcontinental roads.

My predecessor, Secretary Alger, urged the adoption of such a policy for Cuba in his report for 1898. The road which he proposed has now been built by private capital, and I do not doubt that it will prove to be a powerful agent in the maintenance of peace and order.

I think sound policy requires that we should either build or procure the building of railroads in the larger islands of the Philippine Archipelago without any avoidable delay.

In pursuance of the views thus expressed and in order to be ready with any further information which Congress might desire on the subject of the Senate's inquiry, the War Department procured for the Philippine government the services of two experienced engineers familiar with the work of locating railroads in the Tropics, and these engineers have personally examined and located a line of railroad from Manila up the easterly side of the great plain of central Luzon, over the mountains near Carranglan, down the valley of the Cagayan to the north coast of Luzon at Aparri; another line from the termination of the present railroad on the Gulf of Lingayen up the west coast to Laoag, and a third line from Manila southerly through Cavite and Batangas to the south coast at the city of Batangas.

The estimated cost of constructing these roads is $11,140,095. I am satisfied that the Philippine government could afford to pay the entire interest on the cost of construction in return for the benefit which the government will receive in greater efficiency and reduced cost of administration. The increase in the taxable value of property and the benefits to the people of the island of Luzon will of course

be very great. It is probable that private capital can not be obtained for investment at the risk of this enterprise without some state aid or a loan of credit by means of a guaranty or otherwise. I strongly recommend that should the powers of the Philippine government be deemed insufficient for this purpose, such legislation as may be necessary to confer the power be enacted by Congress.

Philippine accounts.—The general deficiency act of July 1, 1902, appropriated $30,000 to enable the Secretary of War to compile for the information of Congress a detailed statement of the receipts and expenditures by the military government of Cuba, in continuation of statements theretofore rendered to May 1, 1900, and further—

to enable the Secretary of War to pay all necessary expenses in compiling for the information of Congress a similar statement relating to the Philippine Islands of all receipts and expenditures from the date of American occupation.

The itemized audited accounts showing the disposition of the entire revenue receipts of the military government in Cuba, including both the government of Santiago and the government of the entire island, down to the transfer of government to the Cubans, were submitted to Congress on the 13th day of December, 1902. A similar statement containing the itemized audited accounts of all receipts and expenditures of the military and civil governments of the Philippine Islands from the date of American occupation to the 30th of June, 1902, was sent to Congress on the 13th day of February, 1902.

The material for the statement for the fiscal year ending June 30, 1903, has been completed in the Philippines and is about to be forwarded to the War Department in pursuance of law. The receipts and expenditures during the period of American occupation have been as follows:

	Fiscal year ended June 30—					Total.
	1899.	1900.	1901.	1902.	1903.	
REVENUES.						
Customs	$3,097,864.15	$5,739,297.40	$9,105,754.67	$8,550,758.49	$9,686,533.29	$36,180,208.00
Postal	42,954.87	104,282.54	122,816.83	137,811.99	146,659.44	554,525.67
Internal	240,754.00	561,993.18	966,400.47	225,505.09	222,980.40	2,217,633.14
Provincial				1,993,270.97	2,559,601.94	4,552,872.91
City of Manila				1,199,590.01	1,561,473.61	2,761,063.62
Miscellaneous	127,109.81	357,954.61	491,217.00	524,482.97	1,148,877.05	2,649,641.44
Total	3,508,682.83	6,763,527.73	10,686,188.97	12,631,419.52	15,326,125.73	48,915,944.78
EXPENDITURES.						
Customs	28,817.90	100,194.09	267,446.88	490,126.40	587,142.89	1,473,728.16
Postal	30,410.75	89,149.51	155,347.77	175,156.57	226,730.33	676,794.93
Provincial				746,586.80	1,163,585.01	1,910,171.81
Loans and refunds to provinces				324,479.35	1,760,563.87	2,085,043.22
City of Manila				1,744,344.56	1,813,118.10	3,557,462.66
Other expenditures	2,316,779.97	4,569,334.15	5,659,971.79	6,564,426.64	8,711,363.27	27,812,875.82
Total	2,376,008.62	4,758,677.75	6,973,766.44	10,045,120.32	14,262,503.47	37,516,076.60

In the foregoing statement for the fiscal year 1903 the following amounts are included, under—	
"Customs revenues," refundable export duties	$511,213.90
"Other insular expenditures" for permanent improvements	2,250,000.00
"Other insular expenditures" in connection with the taking of the Philippine census	500,000.00
"City of Manila," for permanent improvements	445,000.00
The following sums are excluded:	
Advances to June 30, 1903, on account of the purchase of silver bullion and the proceeds from the sale of certificates of indebtedness as provided for by the several acts of the Philippine Commission	3,000,000.00
Appropriation by Congress for the relief of distress in the Philippine Islands	3,000,000.00

Captured Philippine documents.—There are now on file in the Bureau of Insular Affairs some 200,000 documents captured at different times from the insurgents in the Philippines. Few of them are of value as military records, but they contain the material for a history of the insurgent government both during its open existence and during the ensuing guerrilla war. They include many of the orders and regulations and much of the correspondence of the insurgent officers, and throw much light upon many important matters of which, from the American point of view alone, but a partial understanding can be obtained. These papers, since their receipt in October, 1902, have been carefully arranged, recorded, and filed, and those of special interest indexed and translated. It seems well worth while to print the more important of these documents with such explanatory notes as can be furnished by officers who are familiar with the transactions to which they relate. The Chief of the Bureau reports that the papers of permanent interest can be included in about 5 volumes of about 500 pages each. It is estimated that the publication will cost at the Public Printing Office about $15,000. The first volume is practically ready to go to the Printer in case Congress shall authorize the printing. I recommend an appropriation for this purpose.

BUREAU OF INSULAR AFFAIRS.

The Bureau of Insular Affairs of the War Department has performed the onerous and constantly increasing duties incident to its representation of the Philippine government in this country throughout the year with efficiency and zeal. It has attended to the purchase of supplies of all kinds and the disbursement of funds for the Philippine government in the United States to the extent of $7,785,789.39 during the year. It has conducted the investigations and correspondence connected with the applications for office or employment in the Philippines, and the securing and transportation of proper persons willing to accept appointments in that service. It conducted

with great pains and skill the coinage and financial transactions already described. It is engaged in superintending the arrangements for an extensive Philippine exhibit at the St. Louis Exposition of 1904. It has conducted an extensive correspondence and answered a multitude of questions asked orally and in writing by the people of the United States, and for that purpose has kept up a systematic collection, arrangement, and tabulation of statistical information regarding the islands and their affairs. It has carefully scrutinized and compiled in intelligible and comprehensive form the receipts and expenditures of the insular government from the audited accounts as they have been forwarded from time to time. The work of the Bureau has been most satisfactory.

ENUMERATION OF REPORTS SUBMITTED.

I submit herewith the report of the Chief of Staff, the reports to him by division and department commanders, and the annual reports of the heads of the bureaus of the War Department; the reports of the Board of Ordnance and Fortification, the Commissioners of National Military Parks, and the Board of Commissioners of the Soldiers' Home, District of Columbia; the report of the inspection of the Soldiers' Home, District of Columbia, and inspection of the National Home for Disabled Volunteer Soldiers; the reports of the Board of Visitors to the United States Military Academy at West Point, of the Superintendent of the United States Military Academy, of the Army War College, of the General Service and Staff College at Fort Leavenworth, of the Artillery School at Fort Monroe, of the School of Submarine Defense at Fort Totten, of the School of Application for Cavalry and Field Artillery at Fort Riley, and of the Army Medical School at Washington.

CHARACTER OF SERVICE.

I wish to express my keen and grateful appreciation of the kindness, generous loyalty, and sincere effort which, with rare exceptions, have characterized the chiefs of bureaus in the War Department and their assistants, military and civil, the civil assistants of the Secretary of War, and the officers of the Army generally, during my entire term of service as Secretary. I do not think any government ever had a body of public servants presenting a better standard of personal character, a higher average of competency, or a more completely controlling sense of public duty. A country is fortunate which has such officers to rely upon in time of need.

ELIHU ROOT,
Secretary of War.

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PAPERS

ACCOMPANYING

THE REPORT OF THE SECRETARY OF WAR.

REPORT OF THE CHIEF OF STAFF.

WAR DEPARTMENT,
November 19, 1903.

SIR: I have the honor to submit my report as Chief of Staff, accompanied by the annual reports of the chiefs of bureaus of the War Department, of territorial division and department commanders, and of commandants of the service colleges and schools. These reports contain a complete history of the operations, both garrison and field, of the Army and its supply departments. A chronological record of the more important events which have occurred during the year is appended.

ARMY IN THE PHILIPPINES.

The report of Maj. Gen. George W. Davis, commanding the Division of the Philippines, is replete with valuable data as to the service of troops in the island and most instructive as to general conditions obtaining there. The valuable and loyal assistance rendered by the army to the civil government in carrying out measures of repression directed against ladroneism is noted, the cooperation of the Philippine Scouts with the insular constabulary in this service being represented as especially active and most effective throughout the year.

As a result of the campaign in Mindanao, which at the date of last annual report of the department was the only military operation of any magnitude still being carried on, control of the Moros has been established, and the difficult problems connected with their efficient government seem to be steadily approaching complete and satisfactory solution.

As the military part of the Philippine question is so nearly finished, I desire to bear emphatic testimony in this my last report to the department to the efficiency and devotion to duty in the Philippines of our army, both regular and volunteer, and to the patience, forbearance, and humanity that have characterized its operations in the island during the whole period of the insurrection and the succeeding Moro campaign. It is my firm conviction, based upon a thorough acquaintance with reports, both civil and military, covering the entire time of our occupation of the islands, and upon a wide and varied personal experience in the military operations conducted there, that, under conditions which justified a resort to the severest measures, the officers and soldiers of our army have been as a rule forbearing to the utmost

possible limit. The instances of misconduct involving violations of the laws of war have been rare, and generally the result of misdirected zeal in the performance of duty upon the part of officers of short periods of service.

THE GENERAL STAFF CORPS.

On August 8 Lieut. Gen. Nelson A. Miles passed, by operation of law, from the active to the retired list, and on August 15, after the office of Commanding General had been held by the undersigned for a week, that title lapsed and the new office of Chief of Staff came into existence under the provisions of the act of Congress approved February 14, 1903, establishing a General Staff Corps.

The first and most important duty devolving upon the department in the execution of this act, viz: the selection of the personnel of the General Staff Corps, was committed to a board of officers placed under oath to make such selections upon records alone. The adoption of this eminently just method has operated to inspire confidence in the general staff scheme, and has eliminated the criticism most frequently heard when the proposition to establish such corps was under discussion, that details to duty therein would be dictated by nonprofessional influences.

The general scheme of permanent assignment of officers of the General Staff Corps includes the general staff serving with troops and the War Department General Staff, the latter, embracing about half the authorized strength, being subdivided into appropriate divisions and sections for the consideration of subjects referred to it. In the regulations promulgated in General Orders, No. 120, current series, the duties of the General Staff and of the Chief of Staff are set forth in extended detail.

The inauguration in the War Department of the new methods of administration incident to the general staff scheme was readily accomplished without friction or delay. Under the provision of the general staff corps act, which makes it the duty of officers of this corps "to investigate and report upon all questions affecting the efficiency of the Army and its state of preparation for military operations," and to act as the agents of superior authority in "coordinating the action of all the different officers who are subject under the terms of this act to the supervision of the Chief of Staff," a certain amount of routine administrative work has been devolved upon the several sections of the War Department General Staff; but the general practice has been to send to them only such matters as affected more than one department or arm of the service, the consideration of which would be in aid of the coordinating authority the General Staff is expected to exercise. The purpose is to rely mainly upon the existing special staffs for current administrative work, and in this way to economize the time of the General Staff in the interests of the more general duties devolved by law and regulations upon that body.

The information division, formerly an adjunct of the Adjutant-General's Department, has been transferred from that department to the War Department General Staff, its personnel increased and its work measurably reorganized and extended. In other divisions of the staff, revisions of the Infantry Drill Regulations, of the general body of Army Regulations, and of the Articles of War are being prosecuted, and I hope to be able to submit to you the completed revisions em-

bodying substantial and much-needed reforms early in the ensuing year.

In the relatively more important duties assigned the General Staff, designated in the comprehensive language of the statute as those pertaining to the preparation of "plans for the national defense and for the mobilization of the military forces in time of war," a fair commencement has been made. These duties will require for their efficient performance progressive and systematic study extending over a considerable period of time.

The General Staff Corps has been performing its functions only since August 15 last. The experience gained during this short period does not afford a sufficient basis for an exhaustive discussion of the merits of the system, which should be deferred until experience in its actual administration has extended over a greater period. In the results thus far attained the wisdom of the authorities in promoting this measure seems fully justified.

MILITIA.

Of scarcely less importance to the military service than this General Staff legislation is the act of Congress approved January 21, 1903, to promote the efficiency of the militia, the effect of which has been to repeal the obsolete provisions of the old law and to place the organized militia on a new and greatly improved basis.

An important provision of this act, contributing perhaps more than any other to the efficiency of the organized militia as an auxiliary national force, is the requirement of section 3 that the organization, armament, and discipline of this class of troops "shall be the same as that which is now or may hereafter be prescribed for the Regular and Volunteer Armies of the United States, within five years from the date of the approval of this act." The execution of this provision devolved important duties both upon the Federal authorities and those of the several States and Territories. In so far as these duties relate to armament they were, in a subsequent provision of the act, assumed in their entirety by the United States, section 13 providing in this regard for the issue by the Secretary of War, without cost to the States or Territories, of such number of the United States standard magazine arms, with their corresponding equipment, as might be necessary to arm *all* of the organized militia. Under authority of this section, supplemented by the further legislation of March 2, 1903, the Ordnance Department had issued, up to October 1 of this year, 70,616 caliber .30 rifles and 3,919 carbines, with their equipment, and is filling additional requisitions as they are presented. In a very short time the obligation of the General Government in the matter of armament for the militia will have been fully met, and in this important regard the organized militia will then conform to standards of the regular force.

The General Government has further undertaken to render material assistance to the States and Territories in the matter of conforming the discipline of the organized militia to Regular Army standards, in so far as furnishing opportunities for military instruction tends to that end, in the provision of section 14 making available funds for the pay, subsistence, and transportation of organizations of the militia shown by inspections to be armed, uniformed, and equipped for active duty in the field and which engage in actual field or camp service for instruction, and in the further provision of section 15 making regular army

appropriations available to meet the expenses incurred for pay, subsistence, and transportation of such of the organized militia as participates with the Regular Army in the encampments, maneuvers, and field instruction of the latter. The inspections ordered by the Secretary of War under the first of these sections developed that out of a total of 1,821 organizations inspected, 1,492 were armed, uniformed, and equipped for service in the field, and, as a result, 18 States, 1 Territory, and the District of Columbia have participated in the benefits of said section as to pay, subsistence, and transportation of troops engaged in encampments and field instruction. Under the provisions of section 15 militia organizations from 16 States have participated with the Regular Army in its encampments, maneuvers, and field instruction. This latter participation is further noted and commented upon in a subsequent portion of this report.

In the liberal provision made in sections 16 and 23 for the attendance at military schools and colleges of the United States of officers of the organized militia, the General Government stands further pledged to cooperate in conforming the discipline of the organized militia to that prescribed for the regular forces. The immediate execution of this provision has been prevented, however, by the fact that the existing accommodations at these schools are barely sufficient to provide for the limited number of officers of the Regular Army ordered there for instruction. Preliminary steps are being taken to ascertain the number of militia officers desiring such instruction and the particular schools where suitable provision can best be made for them. When these steps have been completed, and appropriations secured for the extra accommodations needed, the execution of sections 16 and 23 can be entered upon.

The duty of conforming the organized militia to Regular Army standards in the matter of organization is left mainly with the several States and Territories, the participation of the General Government in this regard being limited under the terms of the act to prescribing the minimum for designated tactical units. For the purpose of promoting uniformity of action in prescribing organization a circular has been issued by the Department, under date of October 8, 1903, embodying in the nature of a suggestion the outlines of a law which, if conformed to by State and Territorial legislatures, will result in bringing the general organization and administration of the militia into substantial harmony with that of the Army. It is thought that the effect of the circular will be to shorten materially the time which would otherwise be consumed in effecting the necessary legislative action.

By way of summing up, it may be stated that the effect thus far of the passage of the act of January 21, 1903, has been, in addition to the repeal of the obsolete provisions of the old militia law, to give to the organized militia a modern armament and equipment, and the wider opportunities for much needed instruction in practical military duties which its encampment separately, or jointly with the regular forces, affords. Under the act the organized militia has attained a dignity and standing it has never had before, and the way seems to be clearing, after more than a century of only partially successful effort, to make of it an auxiliary force which, while losing none of its characteristics as a State force, will, in its greater efficiency, be of increased value to both the State and General governments.

MANEUVERS.

The field maneuvers which were held at Fort Riley, Kans., between September 20 and October 9, 1902, were commented upon fully by the Secretary of War in his report for that year, the report of Major-General Bates, who was in personal charge of these maneuvers, being thereto appended. Therefore no extended comment is necessary here, but it may be pertinent to state that these maneuvers were of the greatest possible value to all the participants and established a high standard, below which no succeeding maneuvers should be permitted to fall.

Reports have not yet been received from the field maneuvers held this year at West Point, Ky., between September 26 and October 16, and at Fort Riley, Kans., between October 15 and October 27, under charge of General Bates. These reports will be forwarded when received.

The greater interest taken in the maneuvers of the present year, as shown by the largely increased attendance on the part of the organized militia, is one of the most encouraging features connected therewith. The resulting benefit to both regulars and militia can not be measured by the mere money expended. It is earnestly recommended that appropriations for these maneuvers be gradually increased, so as to provide within the next few years for the participation in different parts of the country of 50,000 of the organized militia.

Combined army and navy maneuvers were held in Portland Harbor, Maine, from August 23 to August 30 of this year. The plan involved an attack by the Navy upon that harbor and its defense by the land forces. From the standpoint of drill and instruction the maneuvers were of inestimable value to the Coast Artillery and should be continued yearly in different harbors until this entire arm has had the advantage of this instruction. One of the results of these maneuvers was to demonstrate very clearly that, with respect to electrical installation in our coast defenses, the divided authority among the Engineer, Ordnance, and Signal departments is radically wrong in principle and most defective in practice. This matter is now under consideration, with a view to placing all this work in the hands of one department.

The participation in these maneuvers of the Massachusetts Heavy Artillery, two companies of the New York Signal Corps, and the entire National Guard of the State of Maine was most creditable to the organizations concerned.

It is to be noted that, in order to carry on these maneuvers at all, it was necessary to order 17 companies of Coast Artillery from other posts along the Atlantic coast to assist the companies permanently stationed in Portland Harbor in manning the fortifications. This fact emphasizes the importance of the recommendation submitted in the annual report of Major-General Chaffee, commanding Department of the East, which I approve, as to the "necessity of an increase in the strength of the Coast Artillery as a measure of relief, and to meet fairly new development of defenses made year by year." As stated by General Chaffee, less than 10,000 men are available in the Department of the East to care for the armament in that department, while over 15,000 are required for one relief.

INSTRUCTION OF OFFICERS.

With the state of peace that has followed the practical settlement of our military difficulties in the Philippines the most important duty of the Army is the education in military matters of the large number of officers who have been absorbed into the Army under the act of February 2, 1901. Several cases have arisen during the past year where officers detailed for instruction at the service schools have failed to pass the prescribed examinations, and a few where they have shown such marked neglect of the opportunities furnished them as to necessitate their discipline by courts-martial.

When an officer appears for examination for promotion diplomas from the service schools are accepted, under authority of the Secretary of War, in lieu of examination in the subjects covered by the school courses. Along with this benefit there should go corresponding penalties which would enable the Secretary of War, while rewarding those who meet the obligations of a detail to a service school, to deal effectively with those who, through neglect or incompetency, fail to meet satisfactorily the requirements of said school. Trial by court-martial is practicable only in those cases where the neglect is of such a character as to constitute an offense under the Articles of War.

Commandants of schools have been directed to withhold from officers who fail to pursue with proper diligence the courses of instruction all privileges customarily granted to student officers, and this is practically all that can be done administratively. A complete remedy will not be available until legislation is had authorizing the Secretary of War, upon the report by the staff of any of the service schools that an officer detailed for instruction thereat has failed to pass satisfactorily the prescribed examinations accompanied by a recommendation for the further action hereinafter set forth, to convene after the expiration of a convenient period—say three months—a board of officers to examine the delinquent as to his capacity to discharge the duties for which commissioned, and upon the adverse report of said board to drop the delinquent from the rolls of the Army.

I would include, also, within the scope of the foregoing recommendation officers who fail to pass the prescribed examinations at the several post schools, thus establishing, to meet the unusual conditions which prevail in the Regular Army to-day, the same remedy which Congress has heretofore sanctioned in principle for the Volunteer Army in section 14 of the act approved April 28, 1898, with the qualification that the remedy is not to be invoked until neglect or incompetency has been demonstrated in pursuing prescribed courses of study.

SMALL-ARMS PRACTICE.

Systematic instruction in target practice under the new regulations prepared by a board of expert officers and promulgated to the service in General Orders, No. 20, amended by General Orders, No. 65 of the current year, has been pursued with good results. In connection with the new scheme of instruction the office of inspector of small-arms practice at the War Department has been revived and filled by the detail of Maj. J. F. Guilfoyle, Twelfth Cavalry, a member of the board that devised the new regulations.

Reports received indicate that great interest is being taken both by

officers and men in this important matter, and it is believed that in the near future the high degree of proficiency in target practice which characterized our small Regular Army prior to the war with Spain will be attained by the larger regular force now authorized.

The same board devised and reported a system of instruction in target practice for the militia, which was promulgated in General Orders, No. 50, current series. Reports of the progress made in putting the new system into effect have not yet been received in sufficient number to enable a judgment to be formed as to whether the scheme is adapted in all material respects to the needs of the militia. It is a part of the instruction in which the troops of the militia have been and are much interested. Hitherto the proficiency attained among them has been mainly along the lines of developing a limited number of expert shots to the detriment of general instruction of the entire enlisted strength, a tendency which it is hoped may be corrected in favor of the more thorough instruction of the larger number.

CAMP SITES.

By section 35 of the army reorganization act of February 2, 1901, the Secretary of War was directed to cause preliminary examinations and surveys to be made for the purpose of selecting four sites with a view to the establishment of permanent camp grounds for the instruction of troops of the Regular Army and National Guard, and appropriating $10,000 to meet the expenses of the preliminary surveys and examinations necessary. In pursuance of this direction a board consisting of Lieutenant-General Miles, Major-General Brooke, Major-General Otis, Major-General Young, Major-General MacArthur, Brigadier-General Bates, Brigadier-General Randall, Brigadier-General Kobbé, Col. Wallace F. Randolph, Chief of Artillery, and Lieut. Col. Samuel Reber, military secretary, recorder, was convened to meet at Washington, D. C., on November 25, 1901.

On February 4, 1902, the board submitted its report recommending sites, one in the vicinity of Chickamauga Park, Georgia; one in the Conewago Valley, in Lebanon, Dauphin, and Lancaster counties, Pa., and one in the Nacimiento Ranch, in Monterey and San Luis Obispo counties, Cal., these to be acquired; as the fourth site the Fort Riley Reservation was selected. These recommendations, accompanied by reports of the examination and preliminary surveys of the sites recommended were, by letter of transmittal dated May 19, 1902, forwarded to Congress by the Secretary of War, who suggested that a fair estimate of the cost of the sites would be $500,000 each, sufficient for "their equipment with all modern appliances." The board also submitted reports of an examination, with estimates of cost, of sites in Indiana, Kentucky, New Mexico, Texas, and Wisconsin.

The four sites selected by the board, if acquired and equipped as recommended, would enable the United States to carry out the project of having annual maneuvers in which a large portion of the regulars and organized militia could engage at the least expense. The site at Chickamauga Park requires only a small addition to the present Government park, and the site at Fort Riley is wholly in the possession of the Government. The selection of these four sites, each centrally located with reference to one of the great natural geographical divisions of the country, is believed to solve the problem of having the maximum

number enjoy the benefits of the annual maneuvers with the minimum of expense.

Thus far Congress has taken no action upon the foregoing recommendations which were submitted in accordance with its direction. It is recommended that the subject be again brought to its attention with requests for favorable action at the coming session.

THE POST EXCHANGE.

Special attention is invited to the incisive comments of department commanders upon the demoralizing effect of the operation of section 38 of the act of February 2, 1901, which prohibits the sale of beer and light wines in post exchanges. This law has now been in operation for over two years and a half and has been fairly tested. Reports received from officers of all grades throughout the Army who have had practical experience in supervising and observing post exchanges under present conditions exhibit practical unanimity of opinion as to the evil effects of this restriction.

These evil effects show themselves in increased drunkenness; in loathsome diseases contracted while men are under the influence of a bad or drugged liquor; in increased desertion resulting from the same cause, the men while in a drugged condition being robbed by depraved associates of both sexes, and for this reason reluctant to return to their posts; and generally in increased insubordination.

In addition to these considerations of morality, discipline, and health, there is a further one advanced by the commanding general, Department of Texas, that the soldier's rights and privileges should not be curtailed simply because he is a soldier; that he should be considered as a citizen in the community in which he is serving and, where no impairment of his military efficiency would result therefrom, should have a citizen's rights and privileges.

In view of the fact that Congress, after a full presentation of the general subject in the Department's letter of January 8, 1903, failed to take any action by way of removing this restriction, I have some hesitation in again bringing this matter to the attention of the Department. I do not feel at liberty, however, to ignore a reform almost unanimously advocated by officers who have the best interests of the Army at heart and whose recommendations are entitled to consideration. Since the original establishment of the canteen feature of the post exchange there has never been a time when the dominant sentiment of the Army did not approve that feature as tending strongly to promote morality, sobriety, and discipline among the troops.

COMMUTATION OF QUARTERS.

The commanding generals of the Departments of the East, the Missouri, and the Colorado submit recommendations, in which the Quartermaster-General and Paymaster-General concur, for an increase in the allowance now given to officers for commutation of quarters, urging in that connection, in substance, that the present allowances were established in 1879, since which time rents in all cities where officers are compelled to live in compliance with their orders and the necessities of the service, and often without any desire on their part, have largely increased; that officers who are ordered on duty which requires commutation of quarters to be paid them are very limited in

number, and that it should not be made a financial hardship for them to obey legitimate orders.

The recommendation of the commanding general Department of the East is that the rate per room remain at $12 per month, as now fixed by law, but that the number of rooms authorized by regulations be two for a second lieutenant, and for each additional grade one additional room over the grade below. I concur in this recommendation with the qualification that the allowance of rooms for the grade of lieutenant, both first and second, be fixed at three rooms.

PROMOTION OF OFFICERS.

Under the army reorganization act of February 2, 1901, vacancies occurring in the several staff departments and corps of the Army, with the exception of the Judge-Advocate-General's Department, the Medical Department, and the Engineer Corps, are required to be filled by detail from corresponding grades in the line. This legislation has been of unquestionable advantage to the service at large with the possible exception of the Signal and Ordnance Department, where, it is claimed by some, the principle of a detailed staff announced and established by this law is inapplicable because of the technical and scientific character of the duties devolved upon those departments. There has been, however, one resulting disadvantage to the service in the enactment of this legislation in the loss of the opportunity, which the Department had under the preexisting law, of recognizing and rewarding meritorious and distinguished service by selecting line officers for promotion to higher grades in the staff. As the law now stands, officers who have received merited recommendations for reward for distinguished service can be promoted only by their appointment to the grade of brigadier-general, or through advancement by special legislation, as in the case of Major Gorgas of the Medical Department. Special legislation of this character is obtained by the greatest difficulty, and the appointment of officers of very inferior rank to the grade of brigadier-general is, in the general case, most discouraging to the Army at large. The excellent work accomplished by such officers would ordinarily be amply rewarded by advancing them one grade.

As a remedy the commanding general, Department of the Colorado, proposes, for the approval of the Department, legislation making provisions for appropriate recognition and reward for specially meritorious and distinguished service of officers of the Army, the essential feature being the creation of a distinguished service list consisting of a number of field officers, captains, and first lieutenants, additional officers in these grades, the list to be filled by the promotion of officers of the next lower grade for exceptional merit or distinguished service, without prejudice to their seniors, in exceptional cases by advancement two grades.

Another suggested remedy is the proposition heretofore considered by the Department that every third promotion in the line shall be by selection from the grade below, the selection to be made by a board of officers of the branch of the service in which the promotion is to take place, and incident to this scheme to retire all officers who under it fail to attain the several grades before certain specified ages. The principle upon which this scheme is based was the subject of favorable recommendation by the Secretary of War in his annual report for 1899.

Of the two solutions proposed, the second appears to have the greater merit, in that it accomplishes practically all that is proposed in the first without increasing the number of commissioned officers on the active list, and with only a small increase in the number of retired officers, thus not adding materially to the expense of maintaining the Military Establishment. The adoption of this second scheme by legislation would solve a very perplexing problem which has arisen in our service, and I commend the idea contained in it and advise its favorable consideration by the Department.

GENERAL SERVICE CORPS.

In the laws enacted in the past few years affecting the Army—more particularly in the army reorganization act of February 2, 1901—Congress has made liberal response to the necessities of the Military Establishment, and it may now be truly said that, while additional legislation will be necessary from time to time to perfect the details of our military system, the want of it is no longer a substantial bar to military progress.

I am convinced that what is now most needed to promote the efficiency of the military arm is legislation authorizing the creation of a general service corps. In a report submitted by Maj. Gen. George W. Davis, commanding the Division of the Philippines, the necessity for such legislation is strongly presented from the standpoint of the needs of our troops serving in the Tropics. He proposes a corps of army service employees, to be composed of men specially enlisted for the purpose in order that they may be properly controlled and disciplined, and upon this corps he would devolve all work not of a strictly military character, which is now performed in the Philippines by civilian employees and in the United States by enlisted men detailed on extra and special duty.

While such a corps is most needed in the Tropics, where climatic influences militate against the employment of soldiers for ordinary labor, the want of such a corps is felt under all conditions of military service. Though not prepared to indorse favorably at the present time the creation of so large a service corps as General Davis's report contemplates, I am convinced that one sufficiently large to replace all enlisted men necessarily detached for extra and special duty, with provision for an increase by the President in proportion as the Army may be increased by him under the act of February 2, 1901, should be created at an early date. The number of men detached for extra and special duty, as shown by the muster rolls of the Army on July 31 of this year, was 7,240. These are all combatants diverted from their proper functions, and the fighting strength of the Army is thereby reduced by the full equivalent of two brigades, or over 12 per cent of the authorized force.

An important benefit that would result from the establishment of such a corps would be continuity of labor at posts which under present conditions is much interrupted by frequently changing garrisons, but this is only one of many considerations that might be urged in support of such a measure. The general subject has been committed to a division of the War Department General Staff, with instructions to elaborate a scheme of organization for such a corps and to propose legislation to carry it into effect. I hope to be able to bring this important matter to your consideration in a special report to be submitted in the near future.

COAST DEFENSE.

The present system of coast defense is based upon the comprehensive scheme prepared in 1885 by the so-called Endicott Board, consisting of officers of the Army and Navy and selected civilians, with the Secretary of War as President.

In the report of this board the cost of fortifying the entire seacoast was estimated at $126,377,800. Congress, after consideration of the scheme in its entirety, and not as a result of detached estimates made year by year, approved the report of the board and began appropriations therefor.

This scheme of defense has been slightly modified from year to year to meet changing conditions, but on the whole still forms the basis of estimates submitted. There has been expended in pursuance of this scheme $89,599,621.58, including $9,805,849.70 by the Quartermaster-General's Department for barracks and quarters, wharves, roads, lands, etc., which were not considered in the report of the Endicott Board.

To completely equip the seacoast not only with fortifications, but also with barracks for the men and everything that goes to make up a complete post, will require an additional expenditure of about $50,000,000. This much-to-be-desired result will be obtained at a saving, over the amount first recommended by the Endicott Board and approved by Congress, of about $10,000,000 in the amount to be expended for defenses proper.

The expenditure already made has resulted in reasonable security for our seacoast in so far as plant is considered. The weakness of the provision made is in the lack of men to handle this plant.

The Chief of Artillery states in his annual report that 751 officers and about 22,000 enlisted men are needed for the coast artillery for the existing armament, there being now 525 officers and 13,734 enlisted men.

This small increase is based upon a proposed use of the organized militia as an adjunct to handle rapid-fire guns at the forts, leaving the heavier guns to be handled by the regular artillery. I concur as to the necessity for this increase, which is also recommended in the annual report of Maj. Gen. Adna R. Chaffee, commanding the Department of the East.

Very respectfully,

S. B. M. YOUNG,
Lieutenant-General, U. S. Army, Chief of Staff.

The SECRETARY OF WAR.

REPORT OF THE ACTING ADJUTANT-GENERAL.

WAR DEPARTMENT,
OFFICE OF THE ADJUTANT-GENERAL,
Washington, October 22, 1903.

SIR: The following returns of the Army for the fiscal year ended June 30, 1903, are respectfully submitted:

A.—Strength of the Army of the United States June 30, 1902, and June 30, 1903, with losses from all causes between those dates.

B.—Strength of the Army, by divisions, departments, etc., between July, 1902, and June, 1903.

C.—Statement showing the monthly strength and losses from all causes in the armies of the United States between July 1, 1902, and June 30, 1903.

D.—Deaths in the armies of the United States between July 1, 1902, and June 30, 1903.

E.—Dates of sailing and troops sent to Philippine Islands.

THE ARMY.

The Army during the past year has remained as organized by General Orders, No. 108, series of 1902, which fixed the maximum of the enlisted strength at 59,866 men.

The actual strength of the Army on June 30, 1903, was 3,701 officers and 56,855 enlisted men. These figures exclude the Hospital Corps, which under the law is not included in the total effective strength of the Army, and the provisional organizations of native troops.

The distribution of the troops at that date was as follows:

	Officers.	Men.
In the Philippines	964	16,884
In Cuba	91	861
In Porto Rico	40	791
In the Hawaiian Islands	11	213
In China	5	146
In the United States	2,077	37,778
Troops en route, in camps, recruits, etc	700	3,825
Total	3,828	60,438

The above statement includes the Hospital Corps and the Porto Rico Provisional Regiment of Infantry, but excludes enlisted strength of the Philippine Scouts.

The actual strength of the Army on October 15, 1903, was 3,681 officers and 55,590 enlisted men, as shown by the following table, which, in detail, gives the strength of the several corps, departments, regiments, etc.

Department, corps, or regiment.	Officers.	Enlisted men.	Total.
General officers	22	.....	22
Adjutant-General's Department	28	.....	28
Inspector-General's Department	17	.....	17
Judge-Advocate General's Department	12	.....	12
Quartermaster's Department	96	149	245
Subsistence Department	44	200	244
Medical Department	297	2,807	3,104
Pay Department	53	.....	53
Corps of Engineers	153	1,101	1,254
Ordnance Department	55	683	738
Signal Corps	44	754	798
Record and Pension Office	2	.....	2
Chaplains	37	.....	37
Electrician sergeants	.....	81	81
First Cavalry	49	637	686
Second Cavalry	50	659	709
Third Cavalry	50	726	776
Fourth Cavalry	47	960	1,007
Fifth Cavalry	47	629	676
Sixth Cavalry	48	646	694
Seventh Cavalry	50	686	736
Eighth Cavalry	49	888	937
Ninth Cavalry	47	787	834
Tenth Cavalry	46	768	814
Eleventh Cavalry	49	844	893
Twelfth Cavalry	49	844	893

Department, corps, or regiment.	Officers.	Enlisted men.	Total.
Thirteenth Cavalry	50	845	895
Fourteenth Cavalry	50	798	848
Fifteenth Cavalry	50	731	781
Total cavalry	731	11,448	12,179
Artillery Corps:			
30 field batteries	125	3,377	3,502
120 companies coast artillery	506	12,166	12,672
Sergeant-majors		47	47
10 bands		249	249
Total artillery	631	15,839	16,470
First Infantry	46	639	685
Second Infantry	46	682	728
Third Infantry	49	670	719
Fourth Infantry	48	873	921
Fifth Infantry	48	626	674
Sixth Infantry	44	861	905
Seventh Infantry	49	536	585
Eighth Infantry	46	740	786
Ninth Infantry	47	789	836
Tenth Infantry	43	768	811
Eleventh Infantry	48	884	932
Twelfth Infantry	46	629	675
Thirteenth Infantry	47	737	784
Fourteenth Infantry	50	815	865
Fifteenth Infantry	47	751	798
Sixteenth Infantry	41	613	654
Seventeenth Infantry	50	857	907
Eighteenth Infantry	50	846	896
Nineteenth Infantry	41	712	753
Twentieth Infantry	47	675	722
Twenty-first Infantry	44	662	706
Twenty second Infantry	44	710	754
Twenty-third Infantry	48	833	881
Twenty-fourth Infantry	47	795	842
Twenty-fifth Infantry	44	804	848
Twenty-sixth Infantry	47	796	843
Twenty-seventh Infantry	50	953	1,003
Twenty-eighth Infantry	50	907	957
Twenty-ninth Infantry	50	1,036	1,086
Thirtieth Infantry	48	916	964
Unassigned	34		34
Total infantry	1,439	23,115	24,554
West Point detachment		423	423
Recruits, etc.		1,471	1,471
Discharge camp, California		176	176
Indian Scouts		60	60
Total		2,130	2,130
Grand total	3,681	[a] 55,500	59,181

[a] Enlisted men of the Hospital Corps not included in the grand total.

In addition, there are in the service the following:

Enlisted men of the Hospital Corps, not included as part of the enlisted force of the Army under the provisions of the act of March 1, 1887 (2,807 men)	2,807
Porto Rico Regiment (26 officers, 520 men)	546
Philippine Scouts (99 officers, 1,805 men)	1,904
Total (125 officers, 8,132 men)	8,257

Distribution of the Army October 15, 1903.

Country.	Officers.	Enlisted men.	Hospital Corps.	Total.
United States	2,764	39,068	1,856	43,688
Philippine Islands	843	14,667	836	16,346
Cuba	24	695	29	748
Porto Rico	8	204	25	237
Hawaiian Islands	9	188	13	210
China	4	147	5	156
Alaska	29	531	43	603
Total	3,681	55,500	2,807	61,988

The total number of the losses in the Army during the year ended June 30, 1903, was 29,279, as follows:

Officers:		
Killed in action, died of wounds or disease, etc	25	
Resigned, etc	42	
Retired	71	
		138
Enlisted men:		
Killed in action, died of wounds or disease, etc	837	
Discharged upon expiration of term of service	13,276	
Discharged for disability, by sentence of court-martial, and by order	9,791	
Deserted	5,034	
Retired	203	
		29,141
Total		29,279

Four officers and 36 men were wounded.

PORTO RICO REGIMENT.

Officers:		
Resigned, etc		5
Enlisted men:		
Discharged for disability, by sentence of court-martial, and by order	321	
Died of disease, etc	8	
		329
Total		334

PHILIPPINE SCOUTS.

Officers:	
Died of disease, etc	1
Resigned, etc	8
Total	9

One officer was wounded.

Of the medical officers of volunteers retained in service after June 30, 1902, two died of disease, and the others were mustered out at various dates between July, 1902, and May, 1903, by reason of their services being no longer required.

One hundred and seventy-seven appointments to the grade of second lieutenant were made in the Army during the year ended June 30, 1903, and the following statement shows the source from which made and the arm of the service to which the appointees were assigned:

	Cavalry.	Artillery.	Infantry.	Total.
Military Academy	22	18	43	83
Enlisted men, United States Army	8	4	32	44
Civilians	2	1	47	50
Total	32	23	122	177

Three of the civilians appointed had served in volunteer regiments during the Spanish-American war.

Under the present law civilians are no longer eligible for appointment in the Adjutant-General's, Inspector-General's, Quartermaster's,

Subsistence, Pay, and Ordnance departments. Vacancies occurring therein must be filled by details from the line of the Regular Army.

It is very gratifying to note that while the number of complaints received at this Office, on account of carelessness or dilatoriness on the part of officers of the Army, in failing to promptly meet debts contracted by them, which, during the year ended June 30, 1902, was 278, has been reduced to 131 during the past year.

The probable number of enlisted men in the Army during the fiscal year ending June 30, 1905, who will be entitled to increased pay under the acts of August 4, 1854, and May 15, 1872, is as follows:

Under act of August 4, 1854.

5 years' continuous service ($2 per month)	5,339
10 years' continuous service ($3 per month)	2,096
15 years' continuous service ($4 per month)	1,438
20 years' continuous service ($5 per month)	904
25 years' continuous service ($6 per month)	340
30 years' continuous service ($7 per month)	56

Under act of May 15, 1872.

$1 per month for third year of service	20,155
$2 per month for fourth year of service	15,519
$3 per month for fifth year of service	2,091

Showing the presence in the ranks of 37,765 men who will have served more than three years, and 10,173 men who will have had a continuous service of five years and upward. The number of men (20,155) who will be entitled to the increase of $1 per month for the third year of service includes 3,000 Philippine scouts (estimated) who will then be in the third and last year of their service.

The probable number of men who will be entitled to discharge by expiration of term of service is 21,900.

CUBA, PORTO RICO, AND CHINA.

No change has been made during the past year in the small force kept respectively in Cuba, Porto Rico, and China—in the last-named country acting as a guard to the United States legation.

THE PHILIPPINES.

From October 1, 1902, to September 5, 1903, 566 officers and 7,659 enlisted men—total, 8,225—were forwarded to the Philippines. The force was composed of the following-named organizations, viz:

Engineers: Two companies.

Cavalry: Twelfth, Thirteenth, and Fourteenth Regiments.

Field Artillery: Ninth, Seventeenth, and Eighteenth Batteries.

Coast Artillery: Tenth, Thirty-eighth, Eighty-fifth, and One hundred and eighth Companies.

Infantry: Fourth, Fourteenth, Seventeenth, Eighteenth, and Twenty-third Regiments.

Maj. Gen. James F. Wade, on July 25, 1903, relieved Maj. Gen. George W. Davis in the command of the Division of the Philippines.

After the movements already begun or contemplated have been com-

pleted the following troops will be stationed in the Philippines: Third Battalion of Engineers; 5 companies of the Signal Corps; 4 regiments (Second, Twelfth, Thirteenth, and Fourteenth) of cavalry; 3 batteries of Field Artillery; 4 companies of the Coast Artillery, and 9 regiments (Fourth, Seventh, Fourteenth, Seventeenth, Eighteenth, Twentieth, Twenty-second, Twenty-third, and Twenty-ninth) of infantry—a force which, if kept up to the authorized maximum enlisted strength, will represent the presence in the Philippines of 12,272 enlisted men of all arms, as against 21,433, the enlisted strength of the military organizations in those islands on October 15, 1902.

LIST OF OFFICERS KILLED AND DIED OF WOUNDS OR DISEASE, ETC., IN THE PHILIPPINE ISLANDS FROM OCTOBER 1, 1902, TO OCTOBER 1, 1903.

KILLED (1).

Overton, Clough, captain, Fifteenth Cavalry, in bolo rush near Tagaloan, Mindanao, May 15, 1903.

DIED OF DISEASE, ETC. (7).

Armstrong, William, first lieutenant, Twenty-eighth Infantry, January 25, 1903.
Carroll, Edwin E., first lieutenant, First Infantry, January 28, 1903.
Eskridge, Richard I., colonel (retired), August 29, 1903.
Kemp, Franklin M., captain, assistant surgeon, February 23, 1903.
McGregor, Robert, captain, Corps of Engineers, December 23, 1902.
Sprole, Henry W., lieutenant-colonel, First Cavalry, April 22, 1903.
Wainwright, Robert P. P., major of cavalry, assistant adjutant-general, November 19, 1902.

MOVEMENTS OF TROOPS.

The following is a summary of the movements of troops from and to the Philippine Islands since October 13, 1902:

1902.

October 30.—Transport *Thomas* arrived at Manila from San Francisco.
October 31.—Transport *Sheridan* arrived at San Francisco from Manila.
October 31.—Transport *Crook* sailed from Manila for San Francisco with 29 officers, 355 casuals, and 95 sick and discharged soldiers.
November 1.—Transport *Logan* sailed from San Francisco for Manila with 40 officers and 55 enlisted men. First Lieut. H. R. Richmond, First Cavalry, commanding.
November 23.—Transport *Thomas* sailed from Manila for San Francisco with 16 officers, 779 discharged soldiers, 62 sick, 122 casuals, and Company H, Second Infantry, as guard. Capt. J. G. Workizer, Second Infantry, commanding.
November 29.—Transport *Crook* arrived at San Francisco from Manila.
November 29.—Transport *McClellan* arrived at New York from Manila with 8 officers and 3 enlisted men.
November 29.—Transport *Logan* arrived at Manila from San Francisco.
December 1.—Transport *Sherman* sailed from San Francisco for Manila with 22 officers and 88 enlisted men. First Lieut. A. J. Harris, Second Infantry, commanding.
December 15.—Transport *Logan* sailed from Manila for San Francisco with 37 officers, 1,598 enlisted men, discharged soldiers, casuals, etc., and Company D, Thirtieth Infantry, as guard. Capt. R. E. L. Spence, Thirtieth Infantry, commanding.
December 22.—Transport *Thomas* arrived at San Francisco from Manila.
December 28.—Transport *Sherman* arrived at Manila from San Francisco.

1903.

January 1.—Transport *Sheridan* sailed from San Francisco for Manila with 19 officers and 97 enlisted men. Capt. J. G. Workizer, Second Infantry, commanding.

January 13.—Transport *Logan* arrived at San Francisco from Manila.

January 27.—Transport *Sheridan* arrived at Manila from San Francisco.

January 31.—Transport *Thomas* sailed from San Francisco for Manila with Ninth, Seventeenth, and Eighteenth Batteries, Field Artillery; Tenth, Eighteenth, Thirty-eighth, Eighty-fifth, and One hundred and eighth Companies, Coast Artillery, and detachments. Total, 29 officers and 888 enlisted men. Also 15 officers and 309 enlisted men of the Marine Corps. Capt. D. Price, Artillery Corps, commanding.

February 6.—Transport *Sheridan* sailed from Manila for San Francisco with 7 officers, 285 discharged men, 540 short-term men, sick, etc., and 19 officers and 404 men of the Marine Corps.

February 25.—Transport *Thomas* arrived at Manila from San Francisco.

February 28.—Transport *Logan* sailed from San Francisco for Manila with headquarters and First Squadron Thirteenth Cavalry—31 officers and 332 enlisted men. Lieut. Col. E. D. Thomas, Thirteenth Cavalry, commanding.

February 28.—Transport *Kilpatrick* sailed from San Francisco for Manila with the Fourteenth Infantry—39 officers and 797 enlisted men. Col. S. P. Jocelyn, Fourteenth Infantry, commanding.

March 2.—Transport *Sheridan* arrived at San Francisco from Manila.

March 6.—Transport *Thomas* sailed from Manila with Fourteenth and Fifteenth Batteries Field Artillery; Twenty-fifth, Twenty-seventh, Thirty-first, and Thirty-sixth Companies Coast Artillery; sick, etc. Total, 21 officers and 1,033 enlisted men. Capt. C. H. Hunter, Artillery Corps, commanding.

March 25.—Transport *Kilpatrick* arrived at Laguan, Samar, P. I., from San Francisco.

March 26.—Transport *Logan* arrived at Manila from San Francisco.

April 1.—Transport *Sheridan* sailed from San Francisco for Manila with Third Squadron Thirteenth Cavalry and Eighteenth Infantry—61 officers and 1,019 enlisted men. Col. J. M. J. Sanno, Eighteenth Infantry, commanding.

April 3.—Transport *Thomas* arrived at San Francisco from Manila.

April 4.—Transport *Logan* sailed from Manila with headquarters and First Squadron Sixth Cavalry and First Infantry—50 officers and 1,492 enlisted men. Col. A. Smith, Sixth Cavalry, commanding.

April 20.—Transport *Sumner* sailed from San Francisco for Manila with 7 officers and 21 enlisted men. Maj. E. W. Howe, Twenty-seventh Infantry, commanding.

April 23.—Transport *Sherman* sailed from Manila for San Francisco with 20 officers and 227 enlisted men.

April 26.—Transport *Sheridan* arrived at Manila from San Francisco.

April 28.—Transport *Logan* arrived at San Francisco from Manila.

May 1.—Transport *Thomas* sailed from San Francisco for Manila with Companies I and K, Engineers; Second Squadron Twelfth Cavalry, and Twenty-third Infantry—67 officers and 1,192 enlisted men. Col. J. M. Thompson, Twenty-third Infantry, commanding.

May 12.—Transport *Sheridan* sailed from Manila for San Francisco with the Twenty-fifth Battery, Field Artillery, and Second Infantry—59 officers and 1,069 enlisted men. Col. C. S. Roberts, Second Infantry, commanding.

May 25.—Transport *Sherman* arrived at San Francisco from Manila.

May 27.—Transport *Thomas* arrived at Manila from San Francisco.

May 28.—Transport *Sumner* arrived at Manila from San Francisco.

June 1.—Transport *Logan* sailed from San Francisco for Manila with Second Squadron Thirteenth Cavalry and Fourth Infantry—69 officers and 1,039 enlisted men. Col. J. C. Chance, Fourth Infantry, commanding.

June 6.—Transport *Sheridan* arrived at San Francisco from Manila.

June 14.—Transport *Thomas* sailed from Manila for San Francisco with Third Squadron Fifth Cavalry; Companies G and H, Engineers; casuals, etc.—40 officers and 909 enlisted men. Lieut. Col. C. B. Sears, Engineers, commanding.

June 26.—Transport *Logan* arrived at Manila from San Francisco.

July 1.—Transport *Sherman* sailed from San Francisco for Manila with First Squadron Twelfth Cavalry and Seventeenth Infantry—50 officers and 942 enlisted men. Col. D. J. Craigie, Seventeenth Infantry, commanding.

July 2.—Transport *Kilpatrick* sailed from Manila, via Suez Canal, for New York, with headquarters and First and Third Battalions, Fifth Infantry—27 officers and 322 enlisted men. Lieut. Col. G. P. Borden, Fifth Infantry, commanding.

July 10.—Transport *Thomas* arrived at San Francisco from Manila.

July 14.—Transport *Logan* sailed from Manila for San Francisco with Third Squadron Sixth Cavalry and Twenty-sixth Infantry—58 officers and 1,456 enlisted men. Col. C. Williams, Twenty-sixth Infantry, commanding.

July 26.—Transport *Sherman* arrived at Manila from San Francisco.

August 1.—Transport *Sheridan* sailed from San Francisco for Manila with headquarters and Third Squadron, Twelfth Cavalry—38 officers and 322 enlisted men. Lieut. Col. G. F. Chase, Twelfth Cavalry, commanding.

August 9.—Transport *Logan* arrived at San Francisco from Manila.

August 22.—Transport *Sherman* sailed from Manila for San Francisco with First Squadron, First Cavalry, and Tenth Infantry—65 officers and 1,148 enlisted men. Col. C. H. Noble, Tenth Infantry, commanding.

September 1.—Transport *Thomas* sailed from San Francisco for Manila with casuals, etc., 23 officers and 62 enlisted men; also 10 officers and 305 enlisted men of the Marine Corps. Maj. F. H. Hardie, Fourteenth Cavalry, commanding.

September 5.—Transport *Logan* sailed from San Francisco for Manila with Fourteenth Cavalry—44 officers and 750 enlisted men. Col. T. C. Lebo, Fourteenth Cavalry, commanding.

September 16.—Transport *Sheridan* sailed from Manila for San Francisco with Second Squadron, First Cavalry; First and Second squadrons, Fifth Cavalry, and Second Squadron, Sixth Cavalry.

September 17.—Transport *Sumner* sailed from Manila, via Suez Canal, for New York, with Major-General Davis and Second Battalion, Fifth Infantry.

September 17.—Transport *Kilpatrick* arrived at New York from Manila.

October 1.—Transport *Sherman* sailed from San Francisco for Manila with Seventh Infantry and Companies L and M, Engineers—77 officers and 726 men. Lieut. Col. Charles A. Booth, Seventh Infantry, commanding.

October 2.—Transport *Thomas* arrived at Manila from San Francisco.

MILITARY GEOGRAPHICAL DEPARTMENTS.

No change has been made since the date of last report in the territorial limits of the military geographical division and departments, which are as follows:

Division of the Philippines (Department of Luzon, Department of the Visayas, Department of Mindanao).
Department of California.
Department of the Colorado.
Department of the Columbia.
Department of Dakota.
Department of the East.
Department of the Lakes.
Department of the Missouri.
Department of Texas.

MILITARY ACADEMY.

The report of the Board of Visitors and the annual report of the Superintendent, which have been submitted to the Secretary of War, exhibit very fully the excellent condition of the Academy in all its departments. In the words of the Board of Visitors:

> It is doubtful if ever in the history of the Academy was the instruction so thorough the discipline so perfect, and the scope of usefulness so extended as at this time.

The academic year opened with 495 cadets on the rolls of the Academy, the largest number ever belonging to it at one time.

Particular attention is invited to the recommendation of Colonel Mills, that provision be made by Congress for the employment of three assistant instructors in the department of modern languages to be civilians, natives of the countries where the languages are spoken—two for the Spanish and one for French.

The estimates of appropriations for the support of the Academy for the next fiscal year have been carefully prepared and the necessity for the few new items is fully explained in the remarks following them. The expense of cleaning barracks, maintenance of baths, renewal of

plain furniture permitted in the rooms of cadets, and the gas used in lighting the barracks should be met by the Government as is usual in all public buildings, and I therefore earnestly recommend that provision be made in order that the expense for these items shall no longer be charged against the pay of cadets.

A subject of much importance is the question of educating, approximatively, 250 children, not including those of officers. A school is and has been conducted for years for these children, and everything possible, under the circumstances, is done to make it efficient; but the building used for the purpose is not adequate, and besides, is devoid of the necessary fixtures, furniture, and the simplest educational aids. Enlisted men are used as teachers, but not successfully. Women should be employed in their places. The Superintendent of the Military Academy estimates that about $2,000 per year will supply the necessary teachers, and $3,000 all the books, fixtures, etc., required.

MILITARY INFORMATION DIVISION.

Lieut. Col. William A. Simpson, Assistant Adjutant-General, was relieved from duty as officer in charge on June 30, 1903, and Maj. W. D. Beach, Tenth Cavalry, assumed charge on July 1, by virtue of paragraph 30, Special Orders, No. 152, Adjutant-General's Office, current series.

Capt. Joseph S. Herron, Second Cavalry, and First Lieut. Harley B. Ferguson, Corps of Engineers, have remained on duty in the division during the entire year, although Lieutenant Ferguson is under orders for duty at West Point.

Maj. Eaton A. Edwards, Twenty-fifth Infantry, was, at his own request, relieved from duty in the division on April 13, 1903, and ordered to join his regiment in the Philippines.

First Lieut. Robert S. Clark, Ninth Infantry, was, at his own request, relieved from duty in the division on May 15, 1903, and ordered to join his company stationed at Peking, China.

On June 4, 1903, Maj. William D. Beach, Tenth Cavalry, Capt. Harry C. Hale, Twentieth Infantry, and Capt. Horace M. Reeve, Third Infantry, were detailed for duty in the Military Information Division.

On July 2, 1903, Capt. Charles T. Menoher, Artillery Corps; Capt. Charles D. Rhodes, Sixth Cavalry, and Lieut. John C. Oakes, Corps of Engineers, were also detailed for duty in the division.

The reports received from the military information division at Manila indicate a large amount of valuable work on the part of that branch office in the collection of information respecting the Philippines and neighboring countries, and its distribution to the troops serving throughout the archipelago. At the last session of Congress the appropriation for "Contingencies, Military Information Division, Adjutant-General's Office," was increased from $6,640 to $10,000, and an allotment of $3,000 from this appropriation was made on July 1, 1903, to the Manila office, which will enable that office to further extend its assistance to the troops serving there, as well as furnish additional data to the home office.

The system of noting, carding, and classifying the professional data received in the Military Information Division has been thoroughly overhauled and greatly simplified during the year, in order to adapt

it to present needs. This work involved information gathered during sixteen years—the life of the division—and is referred to on more than 300,000 cards. Notwithstanding the small force available, this work was accomplished from time to time without any interruption of the regular work of the division. The new system is explained in the work entitled "Classification and Index."

With the improvements introduced it is thought that the large amount of information in the shape of publications on technical military subjects, dispatches, reports, etc., being constantly received in the division can be handled more readily and made available for immediate use in case of emergency at a considerable saving of time and labor.

In addition to the regular work of the division, communications written in foreign languages and addressed to the War Department or its several bureaus have been translated for the respective offices, as well as many documents, reports, etc., desired for official use.

During the year the division has prepared and issued the following described publications, viz:

Index of Special Military Subjects contained in Books, Pamphlets, and Periodicals received in the Military Information Division, Adjutant-General's Office, War Department, during the quarter ending December 31, 1902.
Same for quarter ending March 31, 1903.
No. 37. Classification and Index.
Index of Special Military Subjects, etc., for the quarter ending June 30, 1903.
No. 38. Notes of Military Interest for 1902. (Now in the hands of the printer.)

MAP SECTION.

During the year there have been completed and published the following-described maps, viz:

Map of Mindanao, 1 sheet; scale 1:800,000.
Map of the Philippine Islands, 4 sheets; scale 1:800,000.

In connection with the map of the Philippine Islands I am pleased to add that negotiations are pending with the chief of the Bureau of Insular Affairs to have an extra number of copies printed for the use of the civil government and schools throughout the archipelago.

Also a map of the Department of Alaska, compiled in the engineer office of that department, has been photolithographed, printed, and distributed to the Army by this division.

In addition numerous tracings of maps, designs for service medals, badges for rifle practice, flags, and other drawings to illustrate the publications of the division were prepared.

Four thousand five hundred and forty-nine maps were received and filed, and 1,588 maps were distributed to the officers and troops of the Army and to other applicants.

PHOTOGRAPHIC SECTION.

The work performed by this section during the year has been as follows:

Three hundred and seventy-three wet-plate negatives from 4 by 5 inches to 34 by 34 inches; 614 dry-plate negatives from 4 by 5 inches to 18 by 22 inches, a total of 987 negatives.

There have been made 8,707 prints of all kinds and different sizes. These include many enlargements or reductions to the same scale of maps of various scales for use in completing maps by draftsmen of the division. This process of enlarging or reducing maps is a great saving of time, labor, and expense, and practically eliminates the dangers of mistakes or errors.

The photograph gallery has also made a large number of facsimile copies of important letters and documents for the various bureaus of the War Department; and it has furnished copies of important documents for transmission to Congress by the Secretary of War. It has also made photographic reproductions of maps on a large scale for the use of boards in the examination of officers for promotion.

The second and third volumes of the series of the war atlas entitled "Scenes and incidents connected with the war between the United States and Spain," which consists of a pictorial history of the operations of that war from photographs taken at the scenes of operations, have been completed and distributed for the records of the conflict between the United States and Spain. The work on the fourth volume is far advanced, but on account of the large amount of pressing current work it has been considerably delayed.

The photograph gallery also prepared photographs of same size from old pictures of various sizes and kinds of the commanding generals of the Department of the East from its establishment to date (18 in number) for the use of the headquarters of that department at Governors Island, New York.

THE MILITIA.

Upon the approval of the act of January 21, 1903, in regard to the militia of the United States and the establishment of the Militia Division in the Adjutant-General's Office, a part of the laws, reports, orders, etc., relating thereto on file in the Military Information Division were turned over to that division, and the remaining records, etc., will be turned over as soon as arrangements for their care can be made.

MISCELLANEOUS.

In addition to the data contained in the publications, maps, and photographic reproductions by the division, as soon as dispatches, reports, etc., from the military attachés, and other miscellaneous information were received in the division which were considered of special interest or value to any particular bureau or office of the War Department, copies or extracts were promptly furnished or the originals referred to the bureau or office concerned. Also, in reply to requests, a large amount of information on military subjects has been obtained from abroad as well as from domestic sources and furnished from time to time to the different bureaus and offices of the War Department, individual officers of the Army, service schools, national guards, and to others.

I am pleased to report that the reciprocal relations between the Office of Naval Intelligence, Navy Department, and the Military Information Division has been to the mutual benefit, it is hoped, of both; certainly to this division.

LIST OF MILITARY ATTACHÉS AT AMERICAN EMBASSIES AND LEGATIONS.

EMBASSIES.

London, England: Capt. E. B Cassatt, Thirteenth Cavalry, was relieved from duty as military attaché on May 30, 1903.
Paris, France: Capt. T. Bentley Mott, Artillery Corps.
Berlin, Germany: Lieut. Col. John B. Kerr, Cavalry, Assistant Adjutant-General, was relieved from duty October 1, 1902, and Capt. W. S. Biddle, jr., Fourteenth Infantry, detailed as his successor on same date.
Vienna, Austria: Capt. Floyd W. Harris, Fourth Cavalry.

LEGATIONS.

Tokyo, Japan: Maj. Oliver E. Wood, Artillery Corps.
Peking and Seoul: Capt. Andre W. Brewster, Ninth Infantry, succeeded Capt. James H. Reeves, Fourteenth Cavalry, on August 1, 1902.
Habana, Cuba: Capt. M. E. Hanna, Third Cavalry.
Caracas, Venezuela: Capt. Chauncey B. Humphrey, Twenty-second Infantry, was detailed July 1, 1903, to remain until September 30, 1903.

I desire to say also that the work of the military attachés abroad has, as a whole, been very satisfactory. Experience has shown the wisdom of selecting officers peculiarly adapted to this delicate semi-diplomatic work and permitting them to remain at the capital to which they are accredited for a full tour of duty of four years. This enables them to become acquainted with the language, the people, and business methods of the country, and greatly assists them in their professional work. In most all cases attachés have reported uniform courtesy shown them by the foreign war departments and, when practicable, their requests for information have been complied with. This is very gratifying, for the reason that it enables our military attachés to furnish the Army with the most recent, authentic, and valuable information at a minimum cost.

In connection with the subject of military attachés, it is also respectfully recommended that an appropriation of $1,000 be asked annually for the entertainment of military attachés of foreign governments accredited to this capital who are invited to witness the annual maneuvers of the Regular Army and the national guards in different parts of the United States. This fund is needed to pay their railroad fares, subsistence, and for their entertainment during the maneuvers. At present we are enabled to furnish them mounts, orderlies, tents, etc., but there is no fund available for their other expenses. Their entertainment is simply an act of courtesy for favors shown our military attachés abroad during the maneuver period. This is a very important matter, and it is earnestly recommended that either a separate item be inserted in the army appropriation bill or authority inserted in the item for "Contingencies of the Army" for their entertainment in the future.

On August 8, 1903, the Secretary of War issued an order directing the transfer of the Military Information Division of the Adjutant-General's Office, together with its records, files, property, and the persons employed therein, to the office of the chief of staff, to take effect on August 15, 1903, which office was created by virtue of the act of Congress approved February 14, 1903.

THE MILITIA.

The act of January 21, 1903, entitled "An act to promote the efficiency of the militia, and for other purposes," repeals sections 1625 to 1660, both inclusive, of Title XVI of the Revised Statutes, as well as section 232 thereof, and substitutes therefor a reconstruction of so much of those statutes as is not, through the progress of experience and invention, obsolete and impractical, and adds such new legislation as is intended to establish and maintain a body of troops which, although organized under the divergent laws of the States, Territories, and the District of Columbia, shall be promptly available for the service of the United States. Moreover, in order that the organized militia may return a fair equivalent for the financial aid it has and will have received from the Federal Government, the act requires it to conform as nearly as practicable to the Federal standards as shown in the organization, armament, uniform, instruction, and discipline of the Regular Army. To accomplish this purpose, and in addition to the annual appropriation of $1,000,000 under section 1661 of the Revised Statutes, Congress, by the act of March 2, 1903, authorized the Secretary of War to furnish the necessary articles requisite "to fully arm, equip, and supply each regiment, battalion, squadron, company, troop, battery, signal, engineer, and hospital corps and medical department of the organized militia of the several States, Territories, and the District of Columbia with the same armament and equipment as are now prescribed for corresponding branches of the line or staff in the Regular Army, without cost to said States, Territories, or the District of Columbia," but to remain the property of the United States and to be accounted for in a manner now prescribed by law, and appropriated and made immediately available the sum of $2,000,000 for the procurement and issue of the articles constituting the same.

The terms of the act of January 21, 1903, which is made up—excluding the repealing clause—of twenty-four sections, relate first, to the organized militia (*a*) when in the service of the United States (secs. 4–11 and 22) and (*b*) when not in the service of the United States (secs. 3 and 12–21), and second, to the unorganized or reserve militia (secs. 23 and 24).

While the sections relating to the organized militia while in the service of the United States involve no special action on the part of the War Department, and impose no duties upon the Secretary of War that are separable from those exercised by him in the administration of the Regular or Volunteer armies in time of war, they are important in the sense that it is to provide for the contingencies therein set forth that the remaining sections of the act are prescribed, and hence it is necessary to their proper understanding that they be briefly recapitulated.

"Whenever," says the law, "the United States is invaded, or in danger of invasion from any foreign nation or of rebellion against the authority of the Government of the United States, or the President is unable, with the other forces at his command, to execute the laws of the Union in any part thereof, it shall be lawful for the President to call forth, for a period not exceeding nine months, such number of the militia of the State" where the danger is imminent, or of any other State, Territory, or the District of Columbia "as he may deem necessary to

repel such invasion, supress such rebellion, or to enable him to execute such laws;" that every officer and enlisted man of the militia thus called forth "and shall be found fit for military service" shall be mustered or accepted into the United States service by duly authorized mustering officers of the United States, and any officer or enlisted man of the militia who shall refuse or neglect to present himself to such mustering officer upon being called forth shall be subject to trial by court-martial to be composed of militia officers only and be punished as such court-martial may direct; that the militia, when thus called into the actual service of the United States, shall be subject to the same rules and articles of war as regular troops of the United States, and shall be entitled to the same pay and allowances as are or may be provided by law for the Regular Army, their pay to commence from the day of their appearing at the place of company rendezvous.

In order that the organized militia may be prepared in the event of a sudden call by the President to respond promptly and in proper condition to take the field, it is required that within five years from the date of approval of the act it must conform in organization, armament, and discipline to that of the Regular Army; and inasmuch as under existing law the minimum strength of the unit of the Army is a variable quantity—which in the discretion of the President may, for infantry companies for example, reach 143—it is provided that in time of peace the President may fix a minimum for such units of the organized militia, presumably at such lesser number as in his judgment it may be practicable for it to maintain (section 3). To the end that this uniformity may be brought about as speedily as possible, the Secretary of War is authorized (a) to call in all the rifles and carbines of various patterns now in the hands of the States, Territories, and the District of Columbia, and issue in their place, without cost to them, a sufficient number of magazine arms of the United States service standard and their component accouterments and the necessary ammunition to arm all the organized militia (section 13); (b) to equip and supply them with the same equipments and supplies as now prescribed for corresponding branches of the Regular Army (act of March 2, 1903); (c) to issue to them, upon proper requisition, any stores and supplies or publications as are supplied to the Army by any Department, and to permit them to purchase for cash such additional number of such supplies as they may require (section 17).

This uniform, armament, equipment, and supply having been accomplished to a degree that shall satisfy the Secretary of War that they are "sufficiently armed, uniformed, and equipped for active duty in the field," he is authorized on the requisition of the governors to pay over so much of the allotment of a State or Territory out of the annual appropriation under section 1661 "as shall be necessary for the payment, subsistence, and transportation of such portion of said organized militia as shall engage in actual field or camp service for instruction," the officers and enlisted men of the militia while so engaged to be entitled to the same pay, subsistence, and transportation or travel allowances as are officers and men of corresponding grades of the Army (sec. 14), as well as to provide, on the request of the governors, for their participation in the encampment, maneuvers, and field instruction of any part of the Regular Army, in which case they shall receive the same pay, subsistence, and transportation as is pro-

vided by law for officers and men of the Army, the same to be paid out of the appropriations for the Army (sec. 15); to detail one or more officers of the Army to attend any encampment of the organized militia, and to give such instruction to the officers and men assembled in such camp as may be requested by the governor (sec. 19); and to furnish them without cost such amounts of ammunition for instruction in firing and in target practice as may be required for such purposes (sec. 21).

In the way of further and regular instruction, the Secretary of War is authorized upon the application of the governor to detail one or more officers of the Army to report to him for duty in connection with the organized militia of his State or Territory (section 20); as also upon the recommendation of the governor to permit any officer of the organized militia to attend and pursue a regular course of study at any military school or college of the United States, and during such attendance to receive from the annual appropriation for the support of the Army the same travel allowances and quarters or commutation of quarters to which an officer of the Regular Army would be entitled if attending such school or college, as also commutation of subsistence while in attendance upon the course of instruction at the rate of $1 per day (section 16). Finally, for the purpose of securing a list of persons specially qualified to hold commissions in any volunteer force which may hereafter be called forth and organized under the authority of Congress other than the organized militia, the Secretary of War is authorized to convene boards of officers at suitable points, who shall examine as to their qualifications for the command of troops or for the performance of staff duties, applicants who have served in the Regular Army, the volunteer forces of the United States, or in the organized militia of any State, and to enter upon a register to be kept for that purpose, the names of persons certified by such boards to be so qualified: to permit such eligibles to attend and pursue a regular course of study at any military school or college of the United States, other than the Military Academy, and while so engaged to receive from the annual appropriation for the support of the Army the same allowances and commutation as provided for officers of the organized militia (section 23). Copy of the act of January 21, 1903, is herewith. (Exhibit A.)

As the definitive duties of the Secretary of War under the statute, and consequently those with which this office is charged, naturally arrange themselves as follows, it is in that order that this report will be taken up:

(1) To take such measures as shall require such of the States, Territories, and District of Columbia as participate in the apportionment of the annual appropriation provided by section 1661, Revised Statutes, as amended, to conform within five years to the organization, armament, and discipline of the Army, as well as to secure the necessary data upon which to advise the President as to the minimum number of enlisted men that should be fixed for each militia unit in time of peace.

(2) To issue on the requisitions of the governors of the States and Territories and of the commanding general of the militia of the District of Columbia such number of United States standard service magazine arms, complete, as are required to arm all of the organized militia, as well as to furnish the necessary articles requisite to fully

arm, equip, and supply each organization with the same armament and equipment as are now prescribed for corresponding branches of the line or staff of the Regular Army.

(3) To ascertain by an inspection, at least once in each year by officers detailed by him for that purpose, whether the organized militia is sufficiently armed, uniformed, and equipped for active duty in the field, in order that it may be determined if a State, Territory, or the District of Columbia is entitled to the use of so much of its allotment out of the annual appropriation under section 1661, Revised Statutes, as amended, as shall be necessary for the payment, subsistence, and transportation of such portion of the organized militia as shall engage in actual field or camp service for instruction; and if so, to fix the amount and decide the sufficiency of a bond to be given by a disbursing officer appointed by the governor, as well as to detail, upon the application of the governor, one or more officers of the Army to attend any such encampment of the organized militia, and to give instruction and information.

(4) To provide for the participation by any part of the organized militia of a State or Territory upon the request of the governor thereof, in the encampment, maneuvers, and field instruction of any part of the Regular Army, the expenses of such participation to be borne by the United States from the army appropriation.

(5) To establish rules and regulations for the issue to the organized militia of any stores or supplies or publications which are supplied to the Army by any Department other than those specified in the said section 1661, R. S., as amended, as well as for the sale for cash of such additional articles as may be called for.

(6) To ascertain if every State or Territory furnished with material of war under the provision of this or former acts of Congress shall have required every company, troop, and battery in its organized militia, not excused by the governor, to participate in practice marches or go into camp of instruction at least five consecutive days, and to have assembled for drill or instruction not less than twenty-four times, during the year next preceding each annual allotment of funds, and shall also have required during such year an inspection of each organization by an officer of the militia or of the Regular Army.

(7) To consider the expediency of the detail of one or more officers of the Army to report, upon the application of the governor of a State or Territory furnished with material of war under the provisions of this act or former laws of Congress, for duty in connection with its organized militia, and to prescribe the proper instructions under which such officer shall act.

(8) To consider the course of instruction and the amount of ammunition required for instruction in firing and target practice by the troops of the militia.

(9) To consider the best arrangement for permitting officers of the organized militia to attend and pursue a regular course of study at military schools or colleges of the United States, as well as convening boards of officers at suitable and convenient army posts to examine applicants, who have served in the volunteer forces or in the organized militia, as to their qualifications for the command of troops or for the performance of staff duties.

THE SPECIAL INSPECTION.

The strength of the organized militia, as shown by a special report called for by the Secretary of War in July, 1902, was much different in essential particulars from that reported by the Secretary of War to Congress under date of February 2, 1903 (H. R. Doc. 347, Fifty-seventh Congress, second session), and those figures materially different from those reported by adjutants-general of States in response to a call of April, 1903. With a view, therefore, of ascertaining precisely the strength, condition, and probabilities of the organized militia which the Secretary of War decided could only be discovered by a special inspection at its own armory, by competent officers of the Army, of every regiment, company, troop, battery, etc., in the States, Territories, and the District of Columbia, the commanding generals of the various geographical departments were directed in orders of April 1, 1903 (General Orders, No. 49), to designate such number of experienced officers as may be necessary to inspect all of the organized militia of States and Territories lying within the limits of their respective commands; performing the work of inspection as expeditiously as practicable, accommodating the dates, hours, and places to scheduled assemblies as well as to the usual avocations of the personnel of the militia, and to forward reports at the earliest date practicable. To assist in this inspection, a special blank was prepared, embodying about 175 questions, more or less, to be answered on the spot by the inspectors themselves or by the commanding officers of the organizations inspected. A copy of General Orders 49, together with instructions to inspecting officers, is herewith. (Exhibits B and B[1].)

This inspection was intended to elicit:

(1.) The actual strength and condition of the organized militia as to arms and equipment, and, collaterally, what is needed in order to completely arm and equip it for service in the field.

(2.) How many officers, and enlisted men particularly, are outside the militia age, as well as the number who by reason of marital or business relations can not, and perhaps ought not, to respond to a sudden call of the President for service for a period of perhaps nine months' duration.

(3.) The understanding among the officers and men as to their obligations under the Federal militia law, not only that of January 21, 1903, but of the law existing since 1792, and, collaterally

(4.) How many men can be depended upon to respond promptly to a sudden call from the President.

(5.) In view of its condition, personnel, and environment, is this organization to be regarded as "sufficiently armed and equipped for active duty in the field" to warrant the Secretary of War, on requisition of the governor, to pay over moneys from its annual allotment under section 1661, Revised Statutes, for camps of instruction.

(6.) What, in the opinion of the captain as well as of the inspecting officer, after consultation with the enlisted men, is the minimum strength which can be maintained in each and every command.

ORGANIZED STRENGTH.

These inspections, which commenced April 25, 1903, with Company F, Oklahoma National Guard, of Shawnee, and were completed about

the 1st of July, were thoroughly and effectively conducted by eighty-seven selected officers of the Army who visited in the aggregate 1,196 different cities and towns in forty-five States and five Territories, including Hawaii and the District of Columbia, and inspected 196 regiments, separate battalions, and squadrons, and 1,943 companies, troops, batteries, and staff organizations. Of this number 427 organizations are located in the larger cities, and 1,516 in smaller communities. The total number of the organized militia, including officers of every rank and grade, was ascertained to be 116,542, of which 7,610 were officers of the line and 1,510 of the staff, making a total of 9,120 commissioned officers and 107,422 enlisted men; of these, 6,695 officers and 81,007 men were present at inspection, and 915 officers and 26,415 enlisted men absent, the 1,510 staff officers not having been inspected, and were distributed between the *arms of service* as follows:

	Officers.	Enlisted men.	Aggregate.
General Staff	1,360	.....	1,360
Cavalry	350	4,740	5,090
Artillery	498	6,754	7,252
Infantry	6,782	93,314	100,096
Engineers	63	1,011	1,074
Signal Corps	52	680	732
Hospital Corps	15	923	938
Total	9,120	107,422	116,542

The strength of these organizations, present and absent, in detail, together with the recapitulation by States and Territories, is herewith. (Exhibit C.)

Distributed by *organizations*, there are are 1,662 companies (equivalent to 138 regiments) of infantry, with a total of 6,782 officers and 93,314 men; 86 troops (equivalent to 7 regiments) of cavalry, with 350 officers and 4,740 men; 34 companies of coast artillery, with 145 officers and 2,332 men; 76 batteries of field artillery, with 303 officers and 4,422 men, manning 244 pieces of field artillery, which includes 73 3.2-inch B. L. rifles, 3 6-inch B. L. rifles, 34 3-inch muzzle-loading rifles, 41 12-pounder Napoleons, 75 Gatlings (caliber .45), 2 Gatlings (caliber .30), 1 naval Gatling, 9 Hotchkiss guns, 1 Hotchkiss revolving gun, 1 Colt's automatic gun, 2 3-inch naval howitzers, and 2 6-pounder brass guns; 17 engineer organizations, with a total of 63 officers and 1,011 men; 29 Signal Corps organizations, with a total of 52 officers and 680 men; and 15 Hospital Corps organizations, with a total of 15 officers and 923 men. This force would form five Army corps of three divisions of three brigades of three regiments of infantry each, with a tactical complement of cavalry and artillery.

Distributed *comparatively*, the strength of the organized militia is in inverse ratio to the density of population. The States having the largest population have naturally the largest number of organized militia, but when compared with the male population within the militia age those States are, as a rule, below the average percentage. With a total male population between the ages of eighteen and forty-five of 16,173,046, and an organized militia of 116,542, the percentage is 0.0072, or seven and two-tenths men to every one thousand; so that such populous States as Pennsylvania, Ohio, Illinois, Indiana, Iowa, and Missouri are below the average; New York, New Jersey, and

Maryland scarcely above the average, and Connecticut alone among the densely populated States has as many as twelve men to the thousand, while the States having the greatest percentage of organized militia to the male population within the militia age are the District of Columbia, South Carolina, South Dakota, New Hampshire, Nevada, Oregon, etc., in that order. The ten States having the greater number of organized militia are New York, Pennsylvania, Illinois, Massachusetts, Ohio, Georgia, New Jersey, South Carolina, Alabama, in that order; while the ten States having the greater number of male population within the militia age are New York, Pennsylvania, Illinois, Ohio, Missouri, Massachusetts, Texas, Indiana, Michigan, and Iowa; so that New York, Pennsylvania, and Illinois are the only States whose proportion of organized militia is equal to its proportion of the male population of the militia age. (Exhibits C^1 and C^2.)

Distributed *geographically*, the New England and Middle States, with a male population of the militia age of 4,705,045, have 40,102 organized militia, or 0.0085 per cent; the States south of the Ohio and east of the Mississippi, with a male population of the militia age of 3,411,393, have 26,251 organized militia, or 0.0078 per cent; the States north of the Ohio and east of the Mississippi, with a male population of militia age of 3,857,775, have 22,494 organized militia, or 0.0058 per cent; the States west of the Mississippi and south of the thirty-seventh parallel, with a male population of militia age of 1,279,919, have 8,122 organized militia, or 0.0063 per cent; the States west of the Mississippi and north of the thirty-seventh parallel and east of the one hundred and third meridian, with a male population of the militia age of 1,846,395, have 10,491 organized militia, or 0.0056 per cent; the Mountain States, with a male population of militia age of 365,832, have 2,945 organized militia, or 0.008 per cent; the Pacific States, with a male population of militia age of 634,091, have 5,564 organized militia, or 0.0087 per cent. (Exhibit C^3.)

DEPENDABLE STRENGTH.

Although the obligation of officers and men of the militia to respond promptly to a sudden call of the President has been on the statute books more than a hundred years, and of the organized militia or National Guard for nearly forty, and the neglect to so respond punishable by such penalties as a court-martial may direct, experience has shown that this obligation is a theory rather than a fact. Without going farther back than the late war with Spain, the proportion of the membership of militia organizations who have actually responded to such calls of the President has borne a very small proportion to those actually borne on the company rolls. When in response to the President's call for 125,000 volunteers the States were called upon for their proportionate quota, the Secretary of War acceded to their almost unanimous demand to be permitted to send existing organizations of their National Guard rather than to organize new ones. Of the number actually borne on the company rolls a portion declined to volunteer upon reasonable grounds. It was not to be expected that men with families depending upon them for support, or men engaged in business relations which would suffer by their absence, could at short notice sever those relations to enter upon a period of service in the field, the duration of which might extend to two years. About 25 per cent of those who did volunteer were rejected upon physical examination

prior to muster, and an additional number on physical reexamination after muster; so that, eliminating the men unfit for military service, and those unable to go for logical reasons, about 30 of the original company is a fair estimate of the number of men in each company that were finally received into the service of the United States.

The minimum number per company required for muster in was 77, so that in many instances from 45 to 50 recruits, mostly untrained, and without uniform or equipment, were hastily obtained, and physically examined without opportunity to inquire into their moral or mental fitness, and a very considerable number were found at the time of their muster out to be actual residents of neighboring or distant States, and hence improperly credited. Deficiencies in numbers from these causes become immediately apparent, and the necessity of providing in almost every particular for the recruits necessary to extend State companies to the State maximum, and thence to the minimum required for muster into the United States service at once developed deficiencies that from a military point of view ought to have been avoided, and must be avoided in future if the organized militia is to be regarded as a dependable quantity. It was with a view to ascertaining what proportion of the organized militia of the States and Territories could be depended upon to respond to an emergency call for a period not to exceed the statutory limitation that inspecting officers were required to make inquiry of every company commander, which amounted practically to an inquiry of every individual as to, first, "Do the men of this company understand that they may suddenly be called into the service of the United States to serve for a period which may reach nine months, and that if they refuse or neglect to do so when called upon, they may be tried by court-martial and punished?" and second, "How many officers and enlisted men of this command can be depended upon to enter the United States service for a period not to exceed nine months in the event of a sudden call by the President?"

As a result of this inquiry it was learned that of the 1,943 separate bodies in the organized militia, the men of 1,586 had a thorough understanding of their obligations under the statute; 250 organizations had no such understanding, and 57 but partially. Of the 116,542 officers and men now in the service of the organized militia, 100,345 declared themselves ready to respond to a sudden call of the President to enter the service of the United States for a period not to exceed nine months. Of the total number (116,542), 1,052 were under 18 years of age and 707 over 45; the number of married men is 16,340. (Exhibit D.) A comparison of the replies to these two questions has demonstrated to a gratifying degree that in this particular this inspection has been of great benefit; showing, as it does, that although nearly 25 per cent of the membership of the organized militia had not understood that they were under obligations under their contract of enlistment to respond to a sudden call of the President for the service of the United States, nearly 90 per cent declared themselves prepared and willing to respond promptly to such call, as soon as their obligation had been explained to them.

DEGREE OF EFFICIENCY.

To the inquiry as to whether, in the opinion of the inspecting officer, this organization is to be regarded as "sufficiently armed and

equipped for active duty in the field" to warrant the Secretary of War, on requisition of the governor, to pay to a designated officer so much of its allotment out of the annual appropriation under section 1661, as amended, as shall be necessary for the payment, subsistence, and transportation of so much of its organized militia as shall engage in actual field or camp service for instruction under section 14 of the act, it was found that of the 1,821 organizations coming within this class, 1,492 were "sufficiently armed and equipped for active duty in the field," and 339 were not. To provide the remedy for those organizations found deficient, the inspecting officers, as required by their instructions, forwarded lists of the armament and equipment that would be required to place them on a satisfactory footing, and these having been communicated to the State and Territorial authorities concerned, the greater portion at once made requisition for the missing articles, which the Department lost no time in supplying, as will be reported under another head.

THE MINIMUM.

With a view to ascertaining the views of the States and Territories as to what in their opinion under section 3 of the act should be fixed by the President of the United States as the minimum number of enlisted men in each company, troop, battery, signal corps, engineer and hospital corps, in time of peace, the adjutants-general were requested to confer with their governors and advise this Office as to their conclusions. The result of this was disappointing. The number varied from 30 in no less than five States to 60 in three others. The average was about 42. It was learned that in quite a number of States the minimum was fixed by statute, and consequently not to be changed without legislation. From some States it was reported that by reason of regimental esprit companies could be easily maintained at 100 or even more, while because of the location of others in sparsely settled communities it would be difficult to maintain a membership of more than 25 or 30. Some of the largest and wealthiest States reported that many of their most efficient company organizations are located in the smaller towns, and while they can maintain their organizations at their present strength it would be extremely difficult, perhaps impossible, to increase them. In other States the fixed allowance from the State for the maintenance of the organized militia is based upon its present minimum, and in some of these States, as the legislature meets but once in two years, any change in the minimum for the present is impossible.

It was clearly evident that in a considerable number of the States, to increase the minimum of infantry and cavalry organizations from 25 per cent to 30 per cent without a corresponding increase in the annual allowances would be to invite disaster. Moreover, in many States the maintenance of militia organizations is obviously dependable upon economic conditions. Men engaged in logging and the hardier pursuits, in northern climates, can only be depended upon for militia service at periods when they are comparatively idle; similar conditions exist, of course, in States and Territories where the communities are largely agricultural. With a view, therefore, to further enlightenment, and in consideration of the self-evident fact that the immediate commanding officers of organizations were in a position to determine

more accurately—or at least by conference with their membership to ascertain it—the probable greatest number of men that could be maintained, an inquiry to that effect was made by the inspecting officers.

The total number of company commanders personally replying to this inquiry was 1,772; of this number three declared their ability to maintain a minimum of 15, eight of 20, nine of 25, thirty-seven of 30, thirty-three of 35, two hundred and twenty-two of 40, one hundred and seventy-five of 45, three hundred and fifty-one of 50, four hundred and eighty-four of 55, two hundred and thirty-nine of 60, one hundred and seventy-nine of 65, twenty-seven of 70, thirty-six of 75, twenty-two of 80, six of 85, two of 90, two of 95, sixteen of 100, two of 110, three of 115, and two of 120; and of the total number of company commanders (1,772), 1,454 declared their ability to maintain a fixed minimum of 55, 364 that they could not maintain 55, and 54 were doubtful. It is perhaps significant that the States from which the average minimum of from 45 to 60 is reported, are not the larger and wealthier States, nor those embracing the largest centers of population, but rather those in which are the greater number of communities ranging from ten to thirty thousand population, such as Connecticut, Georgia, Illinois, Indiana, Kansas, Massachusetts, New Jersey, Ohio, Washington, and Wisconsin.

In this connection it is to be remarked that these inspections developed the fact that while there is opposition in some quarters to the militia law, it is upon the whole less than was anticipated. That certain radical leaders of the labor unions regard the militia as a menace to their purposes is true; that this enmity extends to any considerable portion of their membership is doubtful. In Mobile and other cities in Alabama the labor organizations have endeavored to persuade all men to decline to serve in the militia. In Chicago, some sections of Ohio, Indiana, Virginia, and West Virginia the local labor unions have endeavored to withdraw from the National Guard such of their members as are connected with it; in some instances this has been successful, but in the majority of cases their efforts have been futile. In Schenectady, N. Y., there was a slight disturbance in February last, growing out of an attempt to expel a member of the painters' union because of his refusal to resign from the National Guard, which for a time threatened to seriously disturb the industries of the community; but this resulted in legislation tending to protect union men who belonged to the National Guard. On the other hand, in Connecticut, where the entire State is a bee hive of factories, the inspection discloses the fact that more than 85 per cent of the National Guard of the State are union labor men. It is reported that the labor unions in eastern Pennsylvania make the life of the national guardsmen as unpleasant as possible and obstruct the recruiting of the companies, while in western Pennsylvania, where the membership of the National Guard is almost exclusively composed of laboring men, the great majority of whom are enthusiastic members of the labor unions, the promptness with which they invariably respond to a call for service from the State authorities, quite remarkable.

In some communities there is opposition on the part of employers to permitting their employees who are members of the National Guard to leave their work to participate in drills, encampments, and target practice, as well as in responding to calls for service from the State for the suppression of disturbances. Business and professional men

connected with the organized militia of some of the States feel that they can not afford to waste their time in riots or labor troubles, while they would be perfectly willing to respond in case of war. In some cities of Virginia, Georgia, and Louisiana the newspapers have prejudiced the minds of the militiamen by their distorted views. The fear is expressed in some Southern communities that under the President's orders white national guardsmen might be compelled to serve under a colored commander, and still others believe that they are State troops and should not be ordered for duty outside the State. All these examples, however, are to be regarded as sporadic rather than contagious, and as the intent of the law becomes better understood, with perhaps some further legislation, it is believed that all opposition will be confined to such irreconcilable elements as are not to be satisfied with anything less than the abolition of all agencies that make for the preservation of law and order.

ISSUE OF MAGAZINE ARMS AND EQUIPMENTS.

The issue of arms under section 13 pertains to the Ordnance Department, but the number of arms to be issued has been based upon data ascertained by the special inspections and supplied by this office. There was some doubt as to the proper construction of the act "That the Secretary of War is hereby authorized to issue, on the requisitions of the governors * * * such number of the United States standard service magazine arms, * * * as are required for the Army of the United States, for arming all of the organized militia * * * without charging the cost or value thereof, or any which have been issued since December first, nineteen hundred and one."

All the States and Territories have been supplied with the magazine rifles and carbines except the following:

Arizona: Partly.

California: Delaware: Have not been supplied, but their requisitions are in the hands of the Ordnance Office.

Nevada: Not entitled under the law.

New Hampshire: Has received 200; needs 600 more.

New York: Has received 660, and requisition in for the balance up to 11,000 and Ordnance Department is prepared to issue, but State prefers to wait until they have the 1902 front sight.

DRILL AND INSTRUCTION UNDER SECTION 18.

Under section 18 it is required that each State or Territory furnished by the United States with material of war shall, during the year next preceding each annual allotment of funds in accordance with section 1661, Revised Statutes, have required every company, troop, and battery in its organized militia, not excused by the governor, (a) to participate in practice marches or go into camp of instruction for at least five consecutive days; (b) to assemble for drill and instruction or for target practice not less than twenty-four times a year, and shall also have required during such year an inspection of each organization, to be made by an officer of such militia or of the Regular Army. Up to the date of the approval of this act there was no statute authorizing the President to call out the militia for drills or instruction, or in any manner requiring the States and Territories, excepting inferentially,

to provide for such drill or instruction at stated periods. The Constitution, in empowering Congress "to provide for organizing, arming, and disciplining the militia," leaves their training to the States. It is, therefore, understood that the intent of Congress, as laid down in section 18, is for the purpose of enabling the States and Territories to comply with section 3 of the militia act, which makes it obligatory upon them to conform to "the organization, armament, and discipline" of the Regular Army within five years.

It was for the purpose of ascertaining to what extent the States and Territories have required their organized militia to pursue a system of drill and instruction, and for the further purpose of ascertaining if the terms of section 18 have been complied with as a preliminary to the allotment of funds under section 1661, Revised Statutes, for the fiscal year 1903–4, that the inspectors under General Orders, No. 49, 1903, above cited, were instructed to make special inquiry. As a result of this inquiry, it is learned that of the 1,895 separate organizations of the class specified in the first clause of section 18, 1,337 "have participated in practice marches or gone into camp of instruction at least five consecutive days" during the year next preceding June 30, 1903; 557 have not so participated or gone into camp, and in 8 cases the information under this head is lacking; and of the 1,902 organizations coming under the second clause, 1,740 "have assembled for drill and instruction at company, battalion, or regimental armories or rendezvous, or for target practice not less than twenty-four times" during the year ending June 30, 1903; 154 have not so assembled, and in 8 cases the information is lacking. In consideration of the fact that nearly seven months of "the year next preceding" the allotment of funds for 1903–4 had already elapsed before the passage of the act, the Secretary of War did not feel warranted in raising the question as to whether the neglect to comply with this provision required a proportionate reduction of the amounts to be allotted to the States or Territories. The attention of the States and Territories in which these deficiencies are found to have occurred has been called thereto, and with an understanding of the possibilities growing out of a continuance of these conditions it is confidently expected that there will be no occasion for the withholding of any portion of the allotments for the next fiscal year for the reasons set forth in this section.

ALLOTMENT AND ISSUES UNDER SECTION 1661, REVISED STATUTES.

Under section 1661 of the Revised Statutes, the sum of $1,000,000 is annually appropriated to be paid out of any money in the Treasury not otherwise appropriated for the purpose of providing arms, ordnance stores, quartermaster's stores, and camp equipage for issue to the militia (act of June 6, 1900, 31 Stats., 662), and said appropriation is required to be apportioned among the several States and Territories under the direction of the Secretary of War according to the number of Senators and Representatives to which each State, respectively, is entitled in the Congress of the United States, and the Territories and District of Columbia in such proportion and under such regulations as the President may prescribe, provided that no State shall be entitled to the benefits of the appropriations apportioned to it, unless the number of its regularly enlisted, organized and uniformed active militia shall be at least 100 men for each Senator and Representative to which

such State is entitled in the Congress of the United States (act of February 12, 1887, 24 Stats., 401).

The allotment of this appropriation for the fiscal year ending June 30, 1904, together with the regulations relating to its disbursement is herewith. (Exhibit E.) Heretofore the issues under this appropriation have been limited to arms, ordnance stores, quartermaster stores, and camp equipage, but under section 17 of the act of January 21, 1903, this annual appropriation is made available "for the purpose of providing for issue to the organized militia any stores and supplies or publications which are supplied to the Army by any department." The effect of the issue of arms and equipments under section 13 of the militia act, as well as of clothing, equipage, and supplies of every description under the act of March 2, 1903, has been to leave the annual allotment to the States and Territories under section 1661, Revised Statutes, practically undisturbed, so that many of them have been able, under section 14, to apply a sufficient amount of said allotment to the expenses of payment, subsistence, and transportation of such portion of their organized militia as have engaged in actual field or camp service for instruction as hereinafter reported. Statement of the issues that have been made thereunder up to October 1, 1903, is herewith. (Exhibit F.)

ALLOTMENT AND ISSUES UNDER ACT OF MARCH 2, 1903.

It will be observed that the enactments of June 6, 1900 (sec. 1661, Rev. Stat.), and of March 2, 1903, differ from each other in several important respects. The former provides for the allotment of $1,000,000, which is annually appropriated for the supply of certain articles to the militia, while the act of March 2, 1903, appropriating $2,000,000 for the procurement and issue of certain articles of armament and equipment, does not call for an allotment, but by its expressed terms imposes upon the Department the duty of furnishing such articles in kind, so that the duties so imposed will only be fully executed when each militia organization shall have been fully provided with the same armament and equipment as corresponding branches of the line or staff of the Regular Army, so far as they can be supplied for the sum named in the appropriation. In the operation of section 1661 the several States and Territories obtain credit against which such stores as they desire to procure are charged, the selection of such articles being discretionary with the States, while under the act of March 2, 1903, the War Department is required to procure and issue to each command of the organized militia certain articles of armament and equipment described in the statute, and an allotment is not made obligatory under the act.

"If a particular article constituted a part of the armament or equipment of any part of the Regular Army on March 2, 1903," says the Judge-Advocate-General of the Army, "that article must be procured and issued to the militia organizations in existence on that date, subject to the single qualification that the sum appropriated is adequate to the procurement of the articles of armament and equipment in sufficient quantity for issue to the entire organized militia." It may be readily understood that the sum of $2,000,000 is not sufficient to enable the Department to issue to the entire organized militia the several articles of armament and equipment now in use in the Army, and it therefore

became necessary to determine what portion of the supplies due to each State can be furnished out of the sum made available in the act.

In the consideration of the question as to the armament and equipment of the organized militia, it was regarded as of the first importance that provision should be made for replacing the field guns of 3.2-inch caliber with the model now about to be adopted in the Army. Artillery material requires a longer time for its procurement than any other which is issued to the militia, and it was regarded as desirable that immediate steps should be taken to meet the requirements of the militia with reference to this material, as soon as possible. It was ascertained, as a result of the special inspection, that there are in the hands of the militia of the several States and of the District of Columbia 72 field guns of 3.2-inch caliber, which number would constitute 18 batteries of the Army organization. The cost to the militia of a battery of field artillery complete, as organized under the existing approval of the Department, is about $55,000; that of a battery of mountain artillery about $22,000. The yearly allowance for target practice for a light battery is 300 rounds, costing about $3,900, and for the mountain battery, 120 rounds, costing about $650. The Secretary of War therefore directed that the sum of $700,000 should be set apart from the $2,000,000 appropriated by the act of March 2, 1903, for the purpose of procuring field material for issue to the militia, which amount was sufficient for equipping about 14 batteries of 4 guns each, which was thought to be all that could be done this year.

The record books and blank forms issued to the Army are furnished by the several supply departments with the exception of certain books and blanks that are furnished by the Adjutant-General's Office. The supply departments reported their ability under their appropriation to furnish such of these articles as might be called for by the militia, but the Adjutant-General's Office was unable to do so from its present appropriation. Accordingly the Secretary of War authorized the setting aside of $15,000 for that purpose.

The States, Territories, and District of Columbia having been advised to make requisition for articles required under the act of March 2, 1903, have with few exceptions called for articles of clothing and equipage, ordnance, medical, and signal supplies, which requisitions having been scrutinized by the supply department concerned, and this Office advised as to the money value thereof, have been ordered to be issued, charged to the appropriation, and an itemized bill sent to the State. This having been done, the supply departments, through this Office, have requested the Auditor to credit the money value of these requisitions to the specific appropriation for the articles pertaining to such department, thus closing the transaction. This proceeding has entailed a very considerable labor upon this Office, requiring the most careful expert clerical handling to which modern methods of accounts and record keeping have been applied, as well as the careful supervision of the officer in charge. A schedule showing the requisitions and issues under this provision of law up to October 1 is herewith. (Exhibit G.)

STATE AID TO ITS ORGANIZED MILITIA.

In this connection the question of the extent to which the States and Territories are themselves supporting their organized militia becomes of interest. In the most populous and wealthy States, where

the value of the organized militia as a *posse comitatus* is the greater, and as a consequence the problem of maintenance has been carefully worked out, the annual appropriations are very liberal and proportionate to the importance of the subject. Thus, New York for the current year (1903) has appropriated $450,000, which is $32.45 for each and every soldier in its organized militia; Pennsylvania, $407,000, or $44.88 per capita; Massachusetts, $327,825, or $57.12; Connecticut, $153,000, or $59.48 per capita; Illinois, which makes an annual appropriation of more than $300,000, has this year ordered a complete new uniform for its organized militia, at an expense of $150,000, together with an emergency appropriation of $50,000, which brings its per capita for this year up to $77.39, no doubt an exceptional instance, though not less commendable; California, $160,000, or $45.97 per capita.

Following these come in the order named Washington, Wisconsin, Michigan, Rhode Island, New Jersey, Ohio, Georgia and Idaho, Indiana, West Virginia, Maine, South Dakota, Minnesota and Maryland, New Hampshire, Montana, ranging from $49.29 for Washington to $18.58 for Montana. Arkansas makes no State appropriation whatever; South Carolina with an annual State appropriation of $8,000 and a per capita of $2.16, Idaho with $1,000 and a per capita of $2.22, Texas with $10,000 and a per capita of $3.06, Florida with $4,000 and a per capita of $3.09, Mississippi with $4,000 and a per capita of $3.50, Georgia with $20,000 and a per capita of $4.27, Kentucky with $7,000 and a per capita of $5.55, Delaware with but $5,000 a year and a per capita of $12.85. It is merely necessary to quote from the reports of the adjutants-general of some of these States to show that the militia authorities have a lively appreciation of their deficiencies in that respect, and have used their best efforts to correct them.

Arkansas.—I would earnestly ask that you recommend to the general assembly an appropriation for military purposes. The appropriation should be made for contingent purposes, to be used exclusively for the State Guard. It is enough to receive the services of good men, their time and energy, without compensating them. It is too much to ask them in addition to this to expend their private funds for the State when she is far more able than they to do so, and yet this condition has confronted the department for the last two years. The Government apportions and allots certain army supplies, governing such allotment to the several States according to their representation in the Congress of the United States, and I can not but feel that the least thing the State can do is to appropriate enough money to properly handle and take care of the property which the Government gives the State. I believe some suitable place should be secured as an armory to receive and store away the supplies, as they must in the end be accounted for, as the armory at the statehouse is wholly inadequate. (From the Annual Report of the Adjutant-General for 1902.)

Delaware.—The force is officered by capable men, but under the present appropriation of five thousand dollars ($5,000) annually it is utterly impossible to maintain an efficient and reliable force, for the reason that only work in the armories can be undertaken, together with very limited amount of target practice. This grows very monotonous to both officers and men, as it does not afford them opportunities of learning the duties of the soldier, consequently the membership is continually changing, as there is no incentive for men to enlist or reenlist. The enlisted strength is therefore composed largely of young men of little or no military training. In view of the fact that the United States Government furnishes the entire equipment for the guard, and that it does not cost the State a penny for this purpose, it would seem to be the duty of the State to provide the means for its maintenance, instruction, and discipline. With an adequate appropriation providing a tour of duty in camp each year it would be but a short time before Delaware would have a guard which would compare with that of other States. I would, therefore, earnestly recommend that the general assembly give the militia serious consideration at the coming session, and I submit that as a business proposition it would be better to abolish the organization entirely and save to the State the money now expended than to continue an organization which experience teaches us can be but indifferently trained and disci-

plined under the present appropriation. (From the Annual Report of the Adjutant-General for 1902.)

Florida.—Although declared by our highest authority to be "essentially and necessarily a State institution," the Florida State troops have been and are almost entirely dependent upon the support given them by the General Government. Although by no means fully equipped, everything which they have—uniforms, arms, and accouterments—has been obtained from that source. By careful manipulation the apportionment to this State of the annual national appropriation for arming and equipping the militia ($8,496.73 in 1902) has been made to supply this equipment. These stores remain the property of the United States and are accounted for annually by the governor. (From the Annual Report of the Adjutant-General for 1902.)

Kentucky.—The Government appropriation for Kentucky, which can be drawn in supplies only, is $27,614.37 annually. It is a fact that the State Guard of Kentucky is badly crippled by reason of the fact that the State's appropriation is only $7,000 per year for its maintenance. It is impossible upon this small appropriation to maintain the State Guard in such a manner as to make it a credit to the State or to bring it up to a condition of efficiency. I would recommend that the appropriation by the State be increased to an amount at least equal to the appropriation made by the Government for Kentucky. When compared with many other States of the Union, the appropriation seems very insignificant. (From the Annual Report of the Adjutant-General for 1901.)

Mississippi.—The appropriation made by the legislature of 1900 is wholly insufficient to creditably keep up the Mississippi National Guard. It is insufficient to even pay the transportation of the different commands to any point in the State for annual encampment. To instill into the several companies a spirit of rivalry and to render them prompt and efficient a sum not less than $16,325 should be appropriated. Mississippi gives less for the support of its military organization than any State in the Union. I would respectfully urge your excellency to commend a sufficiency of funds for the militia to hold an annual encampment, that the young men who constitute the National Guard of the State may at all times be in readiness to efficiently serve their State when their services are required. (From the Annual Report of the Adjutant-General for 1901.)

INDIAN TERRITORY.

The somewhat anomalous political conditions existing in the land occupied by the Five Nations, commonly known as the Indian Territory, coupled with the anxiety of the independent militia organizations located therein to be given the privileges of the new militia law, and of other individuals to be permitted to organize additional companies, raised an embarrassing question almost immediately after its passage. By section 12 of the act it is prescribed "that there shall be appointed in each State, Territory, and District of Columbia an adjutant-general, who shall perform such duties as may be prescribed by the laws of such State, Territory, and District of Columbia, respectively, and make returns to the Secretary of War, at such times and in such form as he shall from time to time prescribe, of the strength of the organized militia, and also make such reports as may from time to time be required by the Secretary of War," etc. No adjutant-general had ever been appointed for the Indian Territory, and under the laws prescribed for the government of the said Territory it was not at all certain if such an official is desirable or warranted. Moreover, the administration of the affairs of the Territory is, under the law, within the jurisdiction of the Department of the Interior, and although several bills were pending in Congress looking to the creation from these lands of a State or Territory, the Secretary of War did not feel that he would be warranted in holding out any encouragement to these people in advance of legislation.

At that time there was pending in the Senate a bill "To provide for the organization of the militia of the Indian Territory" (Senate 6889, Fifty-seventh Congress, second session), in which it was provided that

the President should appoint a commanding general of the militia of the Territory, as also to assign an officer of the Army to act as adjutant-general. It further provided for a National Guard of twenty-eight companies of infantry, a battery of light artillery, a signal corps, an ambulance corps, an engineer corps, and a band of music and a corps of field musicians, to be armed and equipped from the stores, supplies, and appropriations for the support of the Army, and placing such sums of money at the disposal of the Secretary of War as should provide for the general expenses. This bill, having been referred by the Senate Committee on Military Affairs to the Secretary of War for an expression of his views, had been returned with the following remarks:

Before expressing any positive opinion on this subject I should wish to consult the Secretary of the Interior, within whose jurisdiction the Indian Territory is, and the military officers commanding troops in and near the Territory, for the purpose of ascertaining whether existing conditions demand or justify the creation of a militia force in the Territory. My present impression is that they do not, and that no militia bill for the Territory is now called for. If the committee determines that there ought to be a militia force in the Territory the provisions of this bill ought to be studied, with reference to the peculiar laws and conditions existing in the Indian Territory, much more thoroughly than I have been able to study them up to this time.

Congress, however, adjourned without action on Senate bill 6889, and leaving the political status of the Indian Territory unchanged.

By this time applications had accumulated from representatives of independent organizations already existing at Ardmore, Comanche, Sallisaw, Rand, Chickasaw, and Madill to be given arms and equipment under the act of January 21, 1903, as well as applications to be permitted to organize new companies at Roff, Okmulgee, Henryetta, Muscogee, Minco, Broken Arrow, Vian, Wagoner, Bartlesville, Ada, Boynton, Wynnewood, and Chance City, and the requests of these petitioners were urged by the governor, the adjutant-general, and other militia officers of Oklahoma and Kansas, as well as by the judges of the United States district courts, and other public men whose interest in the matter had been solicited or who were residents of the vicinity. After a careful consideration of the subject, the Secretary of War decided that inasmuch as the law specifically defined the militia to be "every able-bodied male citizen of the respective States, Territories, and District of Columbia," and as the Indian Territory is neither a State nor a political territory, as contemplated by section 1661, Revised Statutes, which fixes a permanent annual appropriation of $1,000,000 for the purpose of providing arms, ordnance, and quartermaster stores and camp equipage for issue to the militia of the States and Territories, he had no authority to issue arms or equipments to military organizations of citizens already existing within the limits of that Territory, or to authorize the organization of new ones, but it is not seen how any other could have been arrived at.

ALASKA.

A similar difficulty was presented in the case of Alaska. The original act creating a government for the district of Alaska, act of May 17, 1884 (23 Stats., 24), provided inter alia "that the general laws of the State of Oregon now in force are hereby declared to be the law in said district so far as the same may be applicable and not in conflict with the provisions of this act or the laws of the United States."

There could be no doubt that the effect of this provision was to extend the militia laws of Oregon in so far as applicable and not in conflict with the Federal laws to the district of Alaska, and in this view of the case an allotment under the act of February 12, 1887 (sec. 1661, Rev. Stat.), of the annual appropriation to the militia—then but $400,000—was made to Alaska. It appears that efforts were made at that time to effect a militia organization in the district, but without success. In 1891, however, the governor (Knapp) appointed a personal staff of 8 officers, including an adjutant-general, and on the 5th of June of that year a militia company was organized at Juneau and designated Company A, First Regiment Infantry Alaska Militia, with 3 officers and 48 men, which was uniformed and equipped by the War Department. In 1892 the governor reports that the organizing of several other companies is under consideration, one at least to be composed of natives, with white officers, but deplores his inability under the small Federal appropriations to hold these organizations together unless he can be permitted to use some portion of his accumulated allotment for such expenses as armory rent, transportation, and an annual encampment.

In 1893 his successor (Governor Sheakley) reports the militia organizations in Alaska as being in a state of disintegration, remarking that "the migratory habits of the people would prevent any such organization from becoming permanent. Militia soldiers in Alaska could only be used as home guards or for police duty in the immediate vicinity of their organization. To be of any service to the Territory at large each organized company would be under the necessity of having and maintaining steamboat transportation for their full complement of men, there being no roads or land travel possible in the country." During that year the company at Juneau appears to have disbanded, and so far as advised no new companies have been organized, and hence no further allotments have since been made to the district, so that there is an amount still remaining to its credit of $7,105.69. By the act of March 3, 1899 (30 Stats., 1253), a code of criminal laws and procedure for Alaska was enacted in substitution of the laws of Oregon on the same subject, and by the act of June 6, 1900 (31 Stats., 321), a code of civil government and procedure was provided, which contained in respect of the militia the provision above quoted, and, further, a repealing clause as follows: "The acts or parts of acts in conflict with the provision of this act are hereby repealed." This latter act, among other things, provides that "the governor shall be ex officio commander in chief of the militia of the district, and shall have power to call out the same when necessary to the due execution of the laws and to preserve the peace, and to cause all able-bodied citizens of the United States in the district to enroll and serve as such when the public exigency demands."

Under date of June 10 last the governor of Alaska called the attention of the Department to this latter provision, remarking that of late a desire had manifested itself in a number of places that the militia be reorganized, and thought it well to do so, believing that Alaska had good material for at least one full regiment. He found himself, however, under the present law unable to measure the extent of his authority, and asked that the same be defined, and that a proper officer of the War Department draw up such rules and regulations as may be proper for the organization and maintenance of the militia for the

district of Alaska. In reply to this he was advised that the Oregon militia law as it existed on May 17, 1884, is not in its applicable portion in conflict with any of the provisions of the existing civil code, nor repugnant thereto, and must be held therefore to have been left in force and to be the militia law governing at present, except where superseded by the more recent militia laws of Federal enactment, in view of which it was the opinion of the Department that no useful organization of the militia of Alaska can be perfected under this law, which in essential regards is obsolete, and it was recommended that none be attempted in advance of appropriate legislation by Congress. The governor was further advised that inasmuch as it appears from his reports that it is practicable and desirable to maintain a force of militia in Alaska, particularly in the vicinity of Juneau, it is the intention of the Department to request Congress to remove by appropriate legislation the obstacles to organizing a militia force of the district of Alaska, and to extend to that district the provisions of the act of January 21, 1903.

AID TO STATE ENCAMPMENTS UNDER SECTION 14.

It is believed that the wisdom of Congress in authorizing the States, Territories, and the District of Columbia to apply a part of their allotment under section 1661, Revised Statutes, to the expenses of their annual encampments has been fully demonstrated by the even partial degree in which they have availed themselves of the privilege. Under section 14 whenever the Secretary of War shall have satisfied himself by a special inspection that the organized militia of a State or Territory or the District of Columbia "is sufficiently armed, uniformed, and equipped for active duty in the field," he is authorized on the requisition of the governor to pay over to such officer as he may designate for the purpose so much of its allotment out of the said annual appropriation "as shall be necessary for the payment, subsistence, and transportation of such portion of said organized militia as shall engage in actual field or camp service for instruction," and the officers and men of the militia so engaged shall be entitled to the same pay, subsistence, and transportation or travel allowances as officers and men of corresponding grades of the Army. The indirect benefit of this legislation began to be seen almost immediately after its enactment, inasmuch as it encouraged organizations to so prepare themselves for the United States inspection as to justify the inspecting officer in declaring them to be "sufficiently armed, uniformed, and equipped for active duty in the field;" and to call for supplies and equipment of which they were deficient.

The militia codes of many of the States, perhaps of the majority, provide for the payment of officers and men while in annual encampment, and some of them for their subsistence; and the expenses of transportation to and from the camp grounds has always been at the expense of the State appropriations. This expense, which is not inconsiderable, has restrained State legislators from making appropriations for camps of instruction; and this has prevented quite a number of States from sending their entire militia into camp more than once in every two years. As a consequence, men who go into camp but once in two years or more have forgotten what has been taught them or have gone out of the service, and new men have to be instructed. All

this will be remedied by the authority now given them to use the United States aid for encampment purposes.

Arkansas, District of Columbia, Georgia, Indiana, Maryland, Missouri, Nebraska, New Jersey, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Texas, Utah, and Washington have availed themselves of the provisions of this section during the past year for encampments of a considerable portion, in some cases of all, their organized militia; and the District of Columbia, Georgia, Michigan, New Jersey, New York, Rhode Island, and Vermont for rifle practice, the total money value of the requisitions on this account being $333,857.35.

The law further provides that the officer designated by the governor to receive this money should be regarded as a disbursing officer of the United States; should render his accounts through the War Department to the proper accounting officers of the Treasury for settlement, and should be required to give good and sufficient bond to the United States in such sums as the Secretary of War may direct faithfully to account for the safe-keeping and payment of the public moneys so intrusted to him for disbursement. Under this requirement of the law the Secretary of War prescribes the forms of bond, which as a rule is fixed at from 30 to 50 per cent of the sum asked for; which bond having been accepted, the Secretary of the Treasury is requested to place the amount of the requisition to the credit of the disbursing officer in a subtreasury or nearest national depository, against which he may draw to the extent of the sum required for the "payment, subsistence, and transportation" of the troops engaged in actual field or camp service for instruction, submitting his accounts through this Department to the accounting officer of the Treasury for settlement, and returning the balance unexpended to the Treasury. The regulations under which these accounts were directed to be rendered, as well as the form of bonds, as prescribed by the Department, are herewith. (Exhibits H and J.)

PARTICIPATION OF THE MILITIA IN COMBINED MANEUVERS.

Under section 15 the Secretary of War is authorized to provide for the participation by any part of the organized militia on the requisition of the governor "in the encampment maneuvers and field instruction of any part of the Regular Army," in which case the militia so participating "shall receive the same pay, subsistence, and transportation as is provided by law for the officers and men of the Regular Army, to be paid out of the appropriation for the pay, subsistence, and transportation of the Army." The States and Territories availing themselves of this privilege were the National Guard of Hawaii, with the troops at Camp McKinley, near Honolulu, June 10 to 14; the entire militia of Maine, and one regiment of coast artillery from Massachusetts, in the combined maneuvers of the Army and Navy in the artillery district of Portland, Me., from August 22 to 29; two companies of coast artillery of Connecticut and one regiment of coast artillery of New York in operations at the eastern entrance of Long Island Sound, July 10 to 20; three regiments of infantry and one field battery of the Indiana National Guard, three regiments and one battalion of the Michigan National Guard, two regiments of infantry and a battalion of artillery of the Kentucky State Guard, one regiment of infantry and a field battery of the Ohio National Guard, and one regiment

of infantry of the Wisconsin National Guard in the maneuvers at West Point, Ky., September 25 to October 16; one battalion of infantry of the Colorado National Guard, one regiment of infantry of the Iowa National Guard, two regiments of infantry and two batteries of field artillery of the Kansas National Guard, one regiment of infantry of the Missouri National Guard, one regiment of infantry and one company of the signal corps of the Nebraska National Guard, and one regiment of infantry of the Texas National Guard in the maneuvers at Fort Riley, Kans., from October 15 to 27; embodying a total of approximately 1,000 officers and 13,000 men.

INSTRUCTION AT STATE ENCAMPMENTS.

Under section 19 the Secretary of War is authorized upon the application of the governor of any State or Territory, furnished with material of war under the provisions of this act or former laws of Congress, to detail one or more officers of the Army to attend any encampment of the organized militia, and to give such instruction and information to the officers and men assembled in such camp as may be requested by the governor. Twenty-seven States and Territories have taken advantage of the provisions of law during the year.

Alabama.—Company H, Sixteenth Infantry, from Fort McPherson, Ga., participated in the encampment of the National Guard at Mobile, August 3 to 9, its officers acting as instructors.

Arkansas.—To the annual encampment of the National Guard of this State, which was held at Camp Churchill, 1 mile from Hot Springs, Capt. F. C. Bolles, Sixth Infantry, was detailed as instructor.

California.—At the request of the governor, Maj. A. C. Ducat, Seventh Infantry, was detailed to attend the encampments of the National Guard, which were held: the First Regiment of Infantry at Santa Rosa, Sonoma County, 52 miles north of San Francisco; the Signal Corps Company, Second Brigade, at Willits, in Mendocino County, July 1 and 2; the First Battalion, Coast Artillery, at Stockton, San Joaquin County; the Fifth Regiment of Infantry at Healdsburg, Sonoma County, July 20 and 21; the Signal Corps, First Brigade, at Avalon, Los Angeles County, August 9; Troop B, cavalry, at Santa Cruz, Santa Cruz County, August 14; the Seventh Regiment of Infantry at Coronado, San Diego County, August 7 and 8. At several of these encampments Maj. Thomas Wilhelm, U. S. Army (retired), was also present. Commencing in April last, the officers and noncommissioned officers of each company of a battalion of California artillery, the first four companies of which formerly belonged to the First Infantry of the National Guard of that State, but which now form a separate organization, for instruction and service as coast artillery, visited the Presidio separately once a week, and by means of lectures at the battery were instructed in a variety of subjects pertaining to the subject of coast artillery, including among other things the theory of fire direction, range finding, and predicated fire, the use of the range finders, and other instruments, the use of the plotting board, and the use of communications. The course terminated in the latter part of May with four days' practical training at the guns of a large detachment of a battalion.

District of Columbia.—Troops E and H, Second Cavalry, from Fort Myer, on its return from the Maryland camp at Belair, attended the

camp of the District of Columbia National Guard at Leesburg, Va., from July 23 to August 2. An officer of the Army has been on duty with this National Guard for a number of years, under authority of the act of Congress creating it.

Florida.—Company E, Sixteenth Infantry, from Fort McPherson, Ga., Capt. W. C. Bennett commanding, participated in the encampment of the Florida State troops, near Jacksonville, for a period of eight days, commencing on September 8, 1903; the officers acting as instructors.

Georgia.—Company E, Sixteenth Infantry, from Fort McPherson, participated in the encampment of the National Guard of Georgia at Griffin, June 22 to 28; Company H at Augusta, July 7 to 13, and Company I at Rome, July 20 to 29. Troop C, Seventh Cavalry, from Camp George H. Thomas, participated in the encampment at Savannah July 20 to 27. Col. S. C. Mills, Inspector-General U. S. Army, was, at the request of the governor, detailed as instructor, and was assisted by Capt. J. D. Barrette, Artillery Corps, and Capt. W. H. Johnston, Sixteenth Infantry; and Capt. J. C. Gilmore, Artillery Corps, as instructor at the camp of the heavy artillery of Georgia at Savannah, July 20 to 27.

Indiana.—Capt. Blanton Winship, acting judge-advocate, U. S. Army, was detailed as instructor at the encampment of the Indiana National Guard at Indianapolis, July 20 to August 3, inclusive. Col. Arthur L. Wagner, assistant adjutant-general, U. S. Army, attended this camp for two nights and a day, witnessed the tactical maneuvers on the 29th of July, and in the evening after their conclusion addressed the assembled officers in a review of the features of the day and directed their attention to faulty dispositions and movements. Capt. Edgar Ridenour, Sixteenth Infantry, and Second Lieut. Ben F. Ristine, Twenty-first Infantry, attended this camp and voluntarily rendered valuable and appreciated services in different phases of instruction. It is to be noted that the governor of this State, late colonel of an Indiana regiment during the war with Spain, was in camp during the greater part of its duration, and by his presence at different functions undoubtedly incited officers and men to their best effort in the performance of their duties.

Connecticut.—Maj. Wallis O. Clark, Fifth Infantry, and Maj. William R. Hamilton, Artillery Corps, were detailed to attend the camp of the Connecticut National Guard at Niantic, August 10 to 15.

Maryland.—Troops E and H, Second Cavalry, from Fort Myer, Va., proceeded by marching to Belair, Md., and participated in the encampment of the National Guard of the State from July 9 to 19, and Maj. John F. Guilfoyle, Twelfth Cavalry, and Capt. Horace M. Reeve, Third Infantry, a member of the general staff, attended as instructors.

Massachusetts.—Capt. James A. Shipton and Capt. Lloyd England, Artillery Corps, were detailed as instructors to the camp of the Second Brigade, Massachusetts Volunteer Militia, at Framingham, July 18 to 25, and of the Fifth Regiment of Infantry at Duxbury, August 8 to 14.

Minnesota.—The annual encampment of the Minnesota National Guard was held at Camp Lake View, the Third Infantry and the battery of artillery June 15 to June 22, the First Infantry July 6 to 13, and the Second Infantry July 14 to 21, and was attended by Capt. P. F. Dwyer, Twenty-first Infantry, as instructor.

Missouri.—The National Guard of Missouri went into camp at St. Joseph during the week of July 18 to 27, 1903. Capt. E. W. Evans, Eighth Cavalry, was detailed to act as instructor during this encampment, and there were also present Col. Henry Jackson, U. S. Army (retired), Capt. A. P. Berry, Tenth Infantry, and Second Lieut. Thomas F. Van Natta, Eighth Cavalry, all of whom assisted in giving such information as was desired by the officers and men of the Guard.

Nebraska.—The encampment of a part of the Nebraska National Guard was held at York, August 26 to 31, and was attended by Maj. Abner Pickering, Twenty-second Infantry, as instructor. The other Nebraska organizations attended the combined maneuvers at Fort Riley.

New Jersey.—Companies E, F, G, and H, and the band of the Eighth Infantry from Fort Columbus, N. Y., Company L, Eighth Infantry, from Fort Wood, N. Y., and Companies A, B, C, and D, Sixteenth Infantry, from Fort Slocum, N. Y., were sent to Sea Girt, N. J., for target practice and to participate in the State camp there.

North Carolina.—Maj. F. H. French, Sixteenth Infantry, attended as instructor at the camps of the National Guard of this State at Morehead, July 22 to 28, at Greensboro, August 6 to 12, and at Asheville, August 19 to 25.

North Dakota.—Capt. A. L. Parmerter, Twenty-first Infantry, attended the encampment of the North Dakota National Guard near Devils Lake, June 25 to July 2.

Ohio.—Maj. Arthur Williams, Third Infantry, was detailed as instructor at the encampment of the Ohio National Guard at Newark, from August 16 to 24, and was assisted by Maj. James S. Rogers, Twentieth Infantry, Capt. Joseph S. Herron, Second Cavalry, and Maj. Guy L. Edie, Medical Department. This encampment was by division—i. e., eight regiments and one battalion of infantry and a battalion of engineers organized in two brigades—and as an experiment in the concentration of the troops of the State was reported by the inspecting officers as a wonderful success, while the bringing together of the whole division at one time and in one place enabled the officers and men to see the military strength of the State, and can not result otherwise than to give an impetus to military spirit in the communities. The governor of the State occupied a tent during the entire encampment.

Oregon.—Capt. Evan M. Johnson, jr., adjutant, Nineteenth Infantry, was upon request of the governor detailed as instructor at the encampments of the National Guard of Oregon, the First Separate Battalion at Roseburg and the Third Regiment of Infantry at Gearhart, from September 3 to 12, inclusive. Lieut. Col. James Jackson, U. S. Army (retired), is also inspector-general of the Oregon National Guard.

Pennsylvania.—Lieut. Col. Walter Howe, Artillery Corps, was detailed as instructor at the annual encampment of the First and Second Brigades of the National Guard of Pennsylvania at Perkasie, Bucks County, from July 11 to 18, inclusive, and at Somerset, Somerset County, from July 25 to August 1, inclusive, and Maj. Daniel C. Pearson, Second Cavalry, to the encampment of the Third Brigade at Mount Gretna, from July 11 to 18. The Fourth Battery, Field Artillery, from Fort Myer, and Hospital Company of Instruction No. 1, from Washington Barracks, also attended this camp. First Lieut. S. A. Purviance, Fourth Cavalry, also assisted in instruction.

Rhode Island.—Maj. John P. Wisser, Artillery Corps, was detailed as instructor at the State encampment at Quonset, July 6 to 11.

South Carolina.—Company E, Sixteenth Infantry, from Fort McPherson, Ga., participated in the encampment of the National Guard of this State at Anderson, August 3 to 9, and at Camden, August 10 to 16. Capt. Leo F. Foster, Artillery Corps, was detailed as instructor, together with the officers of the Sixteenth Infantry attached to the company.

Texas.—The Texas troops went into encampment at Austin, August 18 to 26, 1903. The following officers of the Army, acting under instructions of Brig. Gen. F. D. Grant, commanding the Department of Texas, giving such professional assistance and instruction as the limited opportunities of the occasion permitted: Maj. Charles F. Mason, surgeon; Capt. Oscar J. Brown, First Cavalry; Capt. J. D. L. Hartman, First Cavalry; Capt. Ernest Hinds, Second Field Battery, Artillery Corps; Capt. J. A. Dapray, Twenty-sixth Infantry; Capt. W. S. Barlow, Twenty-sixth Infantry; First Lieut. E. A. Stuart, Second Battery, Artillery Corps, and First Lieut. William P. Banta, assistant surgeon.

Utah.—The National Guard of this State was in annual encampment at Provo, Utah, 44 miles from Salt Lake City, from August 18 to 26, 1903. In this encampment the Twenty-second Battery, Field Artillery, and Companies A, B, C, and D, Twelfth U. S. Infantry, from Fort Douglas, Utah, participated; Capt. C. H. Barth, adjutant Twelfth Infantry, and Second Lieut. J. A. Berry, Artillery Corps, having been detailed as instructors.

Tennessee.—First Lieut. C. A. Bach, Seventh Cavalry, attended as instructor the encampments of the First and Second regiments of the Tennessee National Guard at Franklin, from August 1 to August 13; of the Third Regiment at Tate Springs, from September 3 to September 12, and also accompanied Troop B, Tennessee National Guard, while on a practice march from Chattanooga to Estill Springs and return, a distance of 67 miles, from July 18 to 27, inclusive.

West Virginia.—Companies I and K, Ninth Infantry, from Madison Barracks, New York, attended the State camp at Parkersburg, August 4 to 13, and the officers of these companies, of which Capt. F. L. Palmer, Ninth Infantry, was the senior, imparted such instruction as was necessary.

Washington.—Maj. Samuel W. Miller, Nineteenth Infantry, was detailed to attend the annual encampment of the National Guard of Washington at Murray, near American Lake, from September 14 to 22, 1903, inclusive.

Wisconsin.—Capt. John F. Morrison, Twentieth Infantry, attended the encampment of the Wisconsin National Guard at Camp Douglas, the Third Regiment and Tenth Separate Battalion from July 11 to 18, the First Regiment of Cavalry, troop and battery, July 18 to 25, and the Second Regiment from July 25 to August 1.

The statute authorizing the detail of officers for this duty directs that they shall immediately make a report of the encampment to the Secretary of War, who shall furnish a copy thereof to the governor of the State or Territory. Agreeably therewith the governors have been furnished copies of these reports.

From these reports it is observed that the instructors were everywhere shown every possible courtesy, and afforded every facility

for the inspection of the camps and for the instruction of the troops in field exercises, as well as everything pertaining to outdoor work as carried out in the Army. Criticisms appear to have been freely made and to have been received in a kindly spirit. The officers of the organized militia are reported as a rule to be earnest, energetic men, who showed great industry while in camp and worked for the improvement of their commands along military lines as they see them; the enlisted men as a whole have more than met expectations; no single case of resistance to authority or of shirking the work for which they were sent into camp is reported; in some of the States the instructing officers call attention to the fact that no single man was even partially under the influence of intoxicating liquors, and that no man appeared before the surgeons suffering from the effects of alcoholic stimulants. It is pointed out that, in consideration of the fact that officers and men of the militia are engaged in civil pursuits and compelled to pursue their callings through long hours and hard labor, independent of their military duties, the deficiencies, which were reasonably to be expected, as a whole seem trivial, so that the observer is compelled to wonder at the amount of time they are willing to devote to these military duties with so very little compensation. The fact is not to be lost sight of that in view of the conditions under which the organized militia of many of the States have to struggle, that discouragements are frequently encountered and opposition to be resisted, the energetic ambition, public spirit and unselfish devotion shown by officers and men in maintaining their organizations is worthy of special commendation and praise.

DETAIL OF OFFICERS WITH STATES AND TERRITORIES.

Under section 20, the Secretary of War in his discretion was authorized, upon the application of the governors, to detail one or more officers of the Army to report to them for duty in connection with their organized militia; such assignments to be revoked at the request of the governor or at the pleasure of the Secretary of War. By the act of March 2, 1903, it was provided "that in addition to the detail of retired officers now authorized by law, it shall hereafter be lawful for the Secretary of War to detail, whenever in his judgment the public interests require it, not exceeding twenty retired officers for service in connection with the organized militia in the States or Territories, upon the request of the governor thereof." The duties imposed upon the officers to be detailed for permanent duty with the organized militia of the States and Territories under this section, obviously limit them to such, as through length of service and experience combined the necessary qualifications as will render them not only of substantial benefit to the militia as military advisers to the governor, but as discreet and energetic representatives of the War Department.

The exigencies of the service at this time are such as to render it difficult and impracticable to find a sufficient number of officers of the active list of the requisite rank and experience to furnish one or more to each of the States and Territories. The Secretary of War, therefore, decided that for the present at least he should limit such details to the 20 retired officers provided for in the act of March 2, 1903, leaving it to Congress to determine whether or not the number of such officers should be increased so as to furnish one or more to each of the

States and Territories. Up to the date of this report but five officers have been assigned to this duty, namely: Maj. Thomas Wilhelm to California, Maj. Jerauld A. Olmsted to Iowa, Capt. Quincy O'M. Gillmore to New Jersey, Lieut. Col. William H. Clapp to Connecticut, and Maj. Luther R. Hare to Texas. The governors of other States, in the order of their organized strength, have been communicated with as to their wishes in the premises, and as rapidly as these shall have been learned, officers will be detailed to the number stated.

PRACTICE IN SMALL-ARMS FIRING.

Regarding proficiency in marksmanship to be of the first importance in the training of the modern soldier, the preparation of a carefully considered system of small-arms firing regulations adapted to the use of the organized militia was among the earliest matters to which attention was directed. A board of officers then at work upon a revision of the small-arms firing regulations for the use of the Army was requested to devise such a modification of their work so far as it had advanced as could be readily adapted for the use of the militia, and to call to its assistance several officers of the National Guard well acquainted with its needs, and under date of February 13 a memorandum prescribing "Special course 'C'" was sent to the States and Territories, with request for their opinion as to its sufficiency. This course was drawn up with a special view to the needs of the militia, taking into particular consideration their facilities and the probable allowance of ammunition available in each State, with special reference to the fact that the conditions under which the organized militia will fire are different in many respects from those of the Regular Army. Although this course was satisfactory to a great majority of the States and Territories, there were some objections, and in some instances these were well founded. Some of the States had recently adopted a system of training men in the use of the rifle, carbine, and revolver, which was still in an experimental stage; the time necessary to be devoted to the several courses for the rifle and carbine was believed to be greater than most militiamen can conveniently give to such military duty. The ammunition necessary to carry men through the several courses was several times the per capita amount allowed by some States and the authority given the instructor to add and subtract from any individual per capita was thought to be impracticable.

In most of the States the men had not been thoroughly or even partially instructed in sighting, aiming, and position drills, which precluded the adoption of the proposed system until such drills had been carried out in the drill room. In some of the States the qualification requirements were much higher than in others; in others there were no 1,000-yard ranges, or ranges where skirmish firing could be conducted without the greatest risk. Upon the whole, however, the reports were so encouraging that it was determined to suggest the course for the target season of 1903, and General Orders, No. 50, of April 2, were issued to that effect, accompanied by a copy of General Orders, No. 20, prescribing instructions and regulations for small-arms practice of the Army. Subsequently, in consideration of the fact that many of the States had not received the .30-caliber arm for which the special course "C" was prescribed, it was thought best to devote this season to an observation of the workings of the

new system. At the same time inspecting officers under General Orders, No. 49, of 1903, were directed to give special attention to the conditions of small-arms practice in the States and Territories, reporting the same together with such deficiencies as come within their observation. These may be briefly recapitulated.

RANGES.

The following States and Territories have no outdoor ranges whatever: Alabama, Arizona, Arkansas, California, Delaware, Idaho, Kansas, Kentucky, Maine, Maryland, Mississippi, Montana, Nebraska, New Hampshire, New Mexico, North Carolina, Oklahoma, Oregon, Tennessee, Utah, Vermont, Virginia, and Wyoming. Kentucky has no permanent range, but has outdoor practice; Maine has a range for the company at Augusta; Nebraska has rifle practice at its annual encampments; South Dakota has no range at present, but is preparing one; the Texas range is but two hundred yards; Virginia has short ranges used by the companies at Newport News and Hampton, and West Virginia has outdoor ranges at some of the company stations; Florida has short ranges near all of the stations of the companies. The following have outdoor ranges: Connecticut, Georgia, Illinois, Indiana, Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania, and Wisconsin, owned by the State; Louisiana, Minnesota, Missouri, Nevada, North Dakota, Rhode Island, South Carolina, and Texas are rented.

GALLERIES.

Of the 1,759 organizations inspected under this head, 1,095 have no galleries or opportunities for gallery practice; in 855 organizations the men receive instruction in sighting drills; in 924 organizations no such instruction. In 859 organizations drills are had in aiming and position, and in 891 no instruction; in 229 organizations instruction is given in estimating distances, and in 1,519 no attention has been given to that subject; in 536 organizations regular practice is had in gallery, and in 1,190 organizations no gallery practice whatever. It is gratifying to state, however, that of 1,634 organizations having opportunities for outside target practice, 1,294 availed themselves of such opportunity during the past year, and but 340 failed to do so. In 844 organizations the United States Firing Regulations govern, and in 897 practice is had under State regulations or not at all.

INSTRUCTION OF OFFICERS OF ORGANIZED MILITIA, ETC., AT UNITED STATES SERVICE SCHOOLS.

Under section 16 of the militia law whenever any officer of the organized militia shall, upon recommendation of the governor of any State, Territory, or the general commanding the District of Columbia, and when authorized by the President, attend and pursue a regular course of study at any military school or college of the United States such officer shall receive from the annual appropriation for the support of the Army the same travel allowances and quarters, or commutation of quarters, to which an officer of the Regular Army would be entitled if attending such school or college under orders from proper military authority, and shall also receive commutation of subsistence at the rate of $1 per day while in actual attendance upon the course of instruction; and under section 23 of the said act and for the purpose

of securing a list of persons specially qualified to hold commissions in any volunteer force which may hereafter be called for and organized under the authority of Congress other than a force composed of organized militia the Secretary of War is authorized from time to time to convene boards of officers at suitable and convenient army posts and examine as to their qualifications for the command of troops or the performance of staff duties applicants who shall have served in the Army or any other volunteer force of the United States, or in the organized militia, or who, being a citizen of the United States, shall have attended or pursued a regular course of instruction in any military school or college of the United States, or shall have graduated from any educational institution to which an officer of the Army or Navy has been detailed as military instructor; to inscribe the names of the persons certified by such boards to be qualified in a register to be kept at the War Department for that purpose, after which to be entitled upon the authorization of the President to attend and pursue a regular course of study at any military school or college of the United States other than the Military Academy, and while so engaged to receive from the annual appropriation for the support of the Army the same allowances and commutation as provided in this act for officers of the organized militia.

Before attempting to carry out these provisions of the law for which the current appropriations for the support of the Army are unquestionably available, it will be necessary to ascertain, as far as possible, the probable expense attending the same. The service schools are at present taxed to their full capacity, and in order to accommodate more students additional facilities, perhaps additional buildings, will have to be provided and provision at least made by suitable appropriation for the "travel allowances, quarters, or commutation of quarters * * * commutation of subsistence * * * while in actual attendance upon the course of instruction." It will be necessary to estimate the probable sum that will be required for such travel allowances, commutation of quarters and of subsistence, which can only be based upon the probable number of students attending the schools, all of which will need to be presented to Congress and allowed before the provisions of section 16 and of section 23 can be carried into effect. To arrive at this estimate, it is essential that rules, regulations, and conditions be established giving such attendance, and these communicated to the militia authorities of the States and Territories, and otherwise given publicity.

REPORTS OF THE ADJUTANTS-GENERAL OF STATES AND TERRITORIES.

Under section 12 the Secretary of War is directed to transmit to Congress, with his annual report of each year, an abstract of the returns and reports of the adjutants-general of the States and Territories and the District of Columbia, with such observations thereon as he may deem necessary for the information of Congress. The adjutants-general of the States, Territories, and District of Columbia were requested to embody in their report such action as has been had by them under the act of January 21, 1903; the use to which they have employed its allotment of United States appropriations during the year; of the results of the annual encampment of their troops, or their participation in maneuvers with troops of the Regular Army, as

well as any service they may have performed during the year in the suppression of riots or other unlawful disturbances, or for the preservation of the peace; and invited to make such observations as to the workings of the existing militia law, or suggestions for its amendment or modification, as their experience of the year may suggest. These reports, as far as received, are herewith. (Exhibit K.)

I believe, with a continuation of the liberal appropriations made by Congress for the militia, it will at the end of five years in all of the States reach the high proficiency anticipated, provided special attention is paid to the fact, that after a soldier gets a rifle and ammunition, the most important thing of all is to teach him how to shoot it. With this end in view, steps should be taken as soon as possible to provide well-equipped shooting galleries at such places as may be most convenient for the company to learn rifle shooting. I know this has been done in many of the States and the District of Columbia, but there are some of them which are entirely devoid of these absolutely essential requisites for learning rifle shooting. If the gallery instruction is properly conducted, the soldier will have little to learn after going up for the range.

I wish to call attention particularly to what the Santiago campaign demonstrates to one who has carefully considered the great value of accurate rifle shooting on the battlefield. The Spaniards were in well-constructed rifle pits and the ground in front of these was cleared for one-half to three-quarters of a mile. Our men moved over this open space, captured the pits, killing many of the enemy, with comparatively small loss to themselves, and in many cases the Spaniards outnumbered our forces. Our Regular Army at that time had been in careful training in shooting for twenty years, and I believe as a class were the finest military shots in the world. I know personally many of our officers and men who took part in this campaign, and I have attended a number of army competitions with them. I have talked with some of them who well know the value of accurate shooting, and they told me that the Spaniards were, as a rule, very poor shots, and the results certainly showed it. One very sensible man remarked that if our men had been in the pits they could have easily wiped out ten times their number of an enemy advancing as our men did. If such a lesson were needed, nothing could more forcibly demonstrate the value of accurate rifle shooting in sizing up the efficiency of troops in battle. In our country we can not have a large Regular Army, and I do not think it would be best to have it if we could, so that the only solution of the problem to protect ourselves in the event of an invasion from one or more of the foreign powers is to get our National Guard up to the highest possible standard of military efficiency. If the military efficiency of a soldier is rated at 10, 8½ of these points is accurate rifle shooting.

RECOMMENDATIONS.

In connection with the preceding report concerning the organized militia, the following is recommended:

That the attention of Congress be invited to the advisability of a proviso in the appropriation bill for the next fiscal year giving forage to the horses of mounted militia troops and of mounted militia officers while at maneuvers; for per diem allowance to be made for the hire of horses of militia troops and batteries while engaged in maneuvers; for

the furnishing of fuel for cooking and heating purposes by the United States while engaged in maneuvers; and for the furnishing of straw and hay for bedding of militia soldiers while engaged in maneuvers.

That the number of retired officers that can be detailed for duty with the States under section 20 of the act of January 21, 1903, be increased to forty.

In order to increase the attendance at drills, and thus secure increased efficiency of the organized militia, that governors be permitted to utilize the allotment of their respective States under section 1661, Revised Statutes, for the purpose of furnishing a per diem allowance, not in any case to exceed 43 cents per drill of one and one-half hours, for the purpose of paying enlisted men of the organized militia for attendance at each of the twenty-four drills annually required by statute.

That, as a precedent to participation in maneuvers, the States and Territories require a sufficient physical examination for entrance into their organized militia.

That on the application of the governor of a State the United States may detail as disbursing officer of a State, under section 14 of the act of January 21, 1903, an officer of the Army to act as such during the encampment or during the rifle competition.

The free issue made under this act consisted of the United States Krag-Jorgensen magazine .30-caliber gun, bayonet, bayonet scabbard, gun sling, and cartridge belt. Section 13 also required that each State, etc., should, on receipt of the new arms, turn into the Ordnance Department of the United States Army without receiving any money credit therefor all United States rifles and carbines now in its possession. To fully comply with this act a number of States will be obliged to turn in rifles and carbines which are now being used for instruction in military schools and colleges and which are loaned to them by the State. It is recommended that legislative provision be made for the retention by States of these arms for the purpose above set forth.

For the purpose of preserving order in camp, when troops of the organized militia participate in maneuvers, the laws of the States to which the troops belong should sufficiently provide for the punishment of disorder.

I desire to give great credit for the preparation of this report upon the militia to Lieut. Col. James Parker, Assistant Adjutant-General, in charge of the militia division, and to Mr. Frederick T. Wilson, the chief clerk of that division.

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MASTER GUNNERS.

A gunnery-specialist class (now known as the master-gunner's class) was established at the Artillery School at Fort Monroe during the past year, but not connected with it. The men to form it were selected from the several artillery companies with a view to a course of instruction that would qualify them for the highest standard of work required of the present artillery soldier.

The following summary gives a clear idea of the work that the graduates of the master-gunner's class are qualified to execute:

Surveying and triangulation to determine the length and azimuth of horizontal base lines.

Orienting guns and determining the height of gun trunnions and position finders above mean low tide.

Construction of various harbor charts for use by the district, fort, fire, and battery commanders.

Construction of plotting boards.

Construction of topographical maps of the country and coast of the artillery district with a view of providing proper defense against landing parties and land attacks on the forts.

Computations, photography, and blue prints.

The high standard of proficiency required for graduation as master gunner is indicated by the fact that only 9 of the original class of 21 selected men received diplomas. Six of the graduates were detailed for duty in July last in the army and navy maneuvers district in Portland Harbor, Me., and their efficient services received high encomiums from officers of the Artillery Corps who had close opportunity to observe these men.

POST EXCHANGES.

During the year ending June 30, 1903, the aggregate receipts of post exchanges in operation in the Army, so far as reports have been received, amounted to $1,466,146.70, as against $1,124,542.50 during the preceding fiscal year, and there was received as money on deposit $13,827.34, making the total amount of money received as $1,479,974.04. There was expended for merchandise purchased, rents, fixtures, and repairs, and expenses of operation $1,179,586.90, which, less deposits, leaves a profit of $286,559.80. From this amount there was donated to the funds of the several regimental bands, $2,918.58; to the maintenance of post gardens, $5,588.07; to post libraries, $1,295.27; to gymnasiums, $2,431.36; as prizes for the encouragement of athletic sports, $5,649.59; and after setting aside the sum of $121,201.41 as a reserve fund to meet anticipated expenses for at least one month, there was passed to the credit of companies and mess funds for the benefit of soldiers, in the form of dividends, the sum of $147,565.52. The net value of these exchanges—that is to say, the balance of their combined assets over their liabilities—was on June 30, 1903, $350,756.69, as against $249,303.92 on June 30, 1902. The total number of exchanges closed during the fiscal year was 18, and the total number in operation on June 30, 1903, 120.

EXAMINATION OF OFFICERS.

The third section of the act of October 1, 1890, "to provide for the examination of certain officers of the Army and to regulate promotions therein," authorizes the President to prescribe a system of examination of all officers of the Army below the rank of major to determine their fitness for promotion, such an examination to be conducted at such times anterior to the accruing of the right to promotion as may be best for the interests of the service.

While there can be no good reason for exempting from examination officers who have reached the grade of field officer, grave reasons exist, in the interest of the greatest efficiency of the Army, why they should not be. The presence, with troops, of a field officer mentally or physically disqualified for the duties and responsibilities of his grade, is a

contingency, the disastrous effect of which is not to be underrated. A sick captain or subaltern may not be seriously missed, but a weak field officer may paralyze the usefulness of a fine regiment. In view of the gravity of the subject, I have the honor to recommend that Congress be asked to modify section 3 of the act above cited so as to require the examination, prior to promotion, of all officers of the Army below the rank of colonel.

COMMUTATION OF QUARTERS.

Section 9 of the act of June 18, 1878, fixed the rate of commutation of quarters at $10 per room per month; the allowance to the General and the Lieutenant-General of the Army being fixed at $125 and $75 per month, respectively.

The act of June 23, 1879, increased the rate to $12 per room per month, and by the act of June 30, 1882, the allowance for commutation of quarters to the Lieutenant-General of the Army was increased to $100 per month.

The present rate of commutation of quarters, established nearly a quarter of a century ago, has been rendered inadequate by reason of the steady increase of rentals throughout the country since 1879, and it is not just that an officer should suffer pecuniary loss because, in obedience to orders from superior authority, he is, by being stationed in a city, deprived of the quarters in kind furnished by the Government.

The regulations prescribing the number of rooms in quarters and barracks allowed to every officer according to his rank govern the total amount of compensation to which an officer is entitled when serving at points where public quarters are not available. It has been suggested that the injustice to this class of officers could be remedied in part by increasing the regulation allowance of rooms, but such an increase would not give an exact measure of relief to all, for while the addition of one room would, to a subaltern, increase his present commutation of quarters 50 per cent, the same allowance to a general officer would mean an increase of 20 per cent only. The better remedy, which is recommended, is to ask Congress to grant a reasonable increase of the rate of commutation.

In illustration of the inadequacy of the present rate of commutation, the commanding general of one of the military departments represents that, while his commutation of quarters is but $60 per month, he is unable to obtain a suitable house for less than $100 per month.

ADJUTANT-GENERAL'S DEPARTMENT.

The legal organization of the department remains as at the date of last report.

Three officers have since been promoted to the rank of brigadier-general, viz, Col. John B. Babcock, August 7, 1903; Col. Thomas H. Barry, August 18, 1903; and Lieut. Col. John A. Johnston, January 6, 1903.

At this date the department consists of the Adjutant-General; 5 assistants with the rank of colonel; 7 assistants with the rank of lieutenant-colonel, 5 of whom are detailed officers— 1 from the cavalry, 2 from the artillery, and 2 from the infantry; and 15 assistants with

the rank of major, all detailed officers—4 from the cavalry, 3 from the artillery, and 8 from the infantry.

The Adjutant-General having been detailed to the General Staff, as principal assistant to the Chief of Staff, Col. William P. Hall, the senior Assistant Adjutant-General, was announced, in General Orders, No. 2, War Department, dated August 15, 1903, as Acting Adjutant-General of the Army.

THE RECRUITING SERVICE.

In October, 1902, the enlisted strength of the Army exclusive of the Hospital Corps, the Porto Rico Provisional Regiment, and the Philippine Scouts was 66,003; but as set forth in the last annual report, its reduction to 59,866 men had been ordered October 25, and the necessary instructions given to effect the reduction as rapidly as practicable. In consequence recruiting was greatly restricted, being practically confined to the reenlistment of former soldiers during the period from October 25 to December 16, 1902, from which latter date active recruiting was gradually resumed, but without increasing (for a time) the number of auxiliary stations, which had been reduced by about 90 during October and November.

The high standard of qualifications referred to in the last report was not lowered with the resumption of active recruiting, but has been maintained to the present time, including the exclusion of minors and suspected minors.

With a view of determining whether active recruiting at and in the immediate vicinity of the limited number of stations in operation at the close of November would supply the needed recruits with the Army at the minimum, no expansion was authorized until March, 1903, when—owing probably to the general prosperity prevailing throughout the country, leading to an extraordinary demand for labor of all kinds at good wages—it became apparent that the time had arrived to begin a judicious increase in the number of places canvassed; and, accordingly, additional stations have since been authorized from time to time as found necessary. Recruiting officers at city stations have been enjoined to be unremitting in their efforts to secure desirable men in numbers commensurate with the needs of the Army, and department commanders in the United States have been authorized to provide for sending recruiting parties from posts in their respective departments to canvass and make enlistments in surrounding cities and towns.

THE RECRUITING DETAIL.

By General Orders, No. 83, June 12, 1903, from this Office, details for the recruiting service for the period of two years commencing November 1, 1903, were ordered, as follows: One officer from each regiment of cavalry and infantry, to be selected in each case by the regimental commander, and 13 officers from the Artillery Corps, to be nominated by the Chief of Artillery. This detail will supply 58 officers for recruiting service from November 1. The number on such duty October 1, 1902, was 69, but it was reduced to 58 upon the contraction of the recruiting service following the reduction of the Army, and has not since been increased beyond 60.

RECRUITING STATIONS AND TERRITORY CANVASSED THEREFROM.

In October, 1902, there were 96 central recruiting stations in the larger cities. There are now 94 such stations, 46 of which are main stations and 48 auxiliary stations. Of the auxiliary stations about half are permanent, the remainder being maintained as recruiting centers so long as necessary for an effective canvass of surrounding territory, and then replaced by similar stations at other promising centers. In addition, many temporary stations are opened from time to time and visited by officers stationed at the recruiting centers when necessary to make enlistments. In this manner the same officer frequently conducts two or more central stations and often visits, under proper orders, temporary stations within his recruiting territory. Recruiting officers have instructions in making such canvass to exercise all possible economy consistent with the proper prosecution of their duties, carefully guarding expenditures for mileage, transportation, etc. The smallest number of cities and towns canvassed in any one month during the year ending September 30, 1903, by officers of the general recruiting detail, was 115; the largest number was 229.

During the year enlistments have also been made at all military posts by officers detailed by the post commanders, and, at times, by recruiting parties sent out from posts to canvass and make enlistments in cities and towns surrounding the posts, under orders of post and department commanders. The largest number of towns visited by recruiting officers from posts during any month was 14; but under recent instructions it is confidently expected that the canvass from posts will be greatly extended. The largest number of cities and towns canvassed during any one month by recruiting officers from both city stations and posts was 240. In addition to these, many other towns were visited by enlisted members of recruiting parties for the purpose of distributing recruiting posters, circulars of information, etc., and citing desirable applicants to some central station or military post.

RECRUIT DEPOT ON PACIFIC COAST.

Upon the recommendation of the commanding general, Department of California, the depot of recruit instruction on the Presidio reservation was removed September 19, 1903, to the Discharge Camp, Angel Island, Cal., which is to be known as the "Depot of recruits and casuals."

RECRUITS FOR TROPICAL SERVICE.

During the year ending September 30, 1903, it was not necessary to send any recruits from the United States to organizations of the line in the Division of the Philippines, they not having fallen below the authorized strength. Organizations sailing for that division were supplied prior to their departure from the United States with such recruits as were necessary to fill vacancies therein, other than those which could be provided for upon their arrival in the Philippines by transfers from organizations under orders to return to the United States of men available for further duty in those islands.

The number of recruits thus supplied was 1,094. During the same year 226 recruits were forward to organizations in Cuba and Porto

Rico; and 100 men, in lieu of recruits, were supplied to Company B, Ninth Infantry, Peking, China, by transfer from infantry organizations in the Division of the Philippines.

GENERAL RESULTS.

The total number of enlistments and reenlistments in the Army during the fiscal year ending June 30, 1903, exclusive of the Hospital Corps and the Philippine Scouts, was 18,291, of which number 12,790 were made at city stations by officers of the general recruiting detail, and 5,501 in the vicinity of military posts and in the field by officers detailed by their commanding officers.

The enlistments are classified as follows:

For the general service	17,697
For the Porto Rico Provisional Regiment of Infantry	17
For staff departments	577
Total	18,291

Of the 18,291 accepted applicants, 15,537 were native born, 2,737 of foreign birth, and 17 were born in Porto Rico; 17,469 were white, 793 colored, 12 Indians, and 17 Porto Ricans.

The enlistments numbered 11,385 and the reenlistments 6,906. Excluding the reenlistments the percentage of native born (among original enlistments) was 89.2.

The reports show that the recruiting officers making the 17,714 enlistments embraced in the first two items of foregoing list rejected 74,256 applicants, or about 81 per cent of the whole number, as lacking in either mental, moral, or physical qualifications; 1,536 of these were rejected as aliens and 2,648 as illiterates.

The number of enlistments reported for the Philippine Scouts during the fiscal year was 947. Under the terms of the law authorizing their enlistment, these are all natives of the Philippine Islands. All were original enlistments.

The number of enlistments for the Hospital Corps during the fiscal year was 679, of whom 528 were native born and 151 of foreign birth; 637 were white and 42 colored. The enlistments numbered 172 and reenlistments 507.

Including the Hospital Corps and Philippine Scouts the aggregate of all enlistment for the Army during the fiscal year ending June 30, 1903, was 19,917.

CYCLONE AT GAINESVILLE, GA.

Great destitution, loss of life, and destruction of property was caused by the cyclone which struck Gainesville, Ga., June 2, 1903. On the representation of the facts by Hon. F. C. Tate, a telegram was sent to the commanding-general, Department of the East, June 3, instructing him to send a suitable officer from Fort McPherson to issue such rations as were immediately required to save lives, and to report by telegraph of any pressing needs of the inhabitants of the stricken city, and what further assistance the General Government should render under the distressing circumstances.

The officer selected reported that there were about 1,500 people dependent upon charity, 200 of whom were seriously injured; and, of the whole number, about 500 would remain dependent for one or two

months. He at once made requisition for medical supplies and personally superintended the distribution of 4,000 rations forwarded from Fort McPherson. He closed his report by stating that, in his opinion, no further immediate relief was necessary.

FLOODS IN KANSAS AND MISSOURI.

Continuous heavy rains throughout central Kansas resulted in a disastrous flood, which during the latter part of May and first part of June of this year inundated the southern portion of the Department of the Missouri. At Kansas City, Kans., the flood rendered homeless 15,000 of the inhabitants of that city, leaving them in urgent need of food, shelter, and police protection. Under instructions from the War Department the commanding officer of Fort Leavenworth forwarded 10,000 rations, 600 blankets, as much tentage as could be procured, and put himself in communication with the mayors of neighboring towns, extending, where needed, any temporary assistance in his power to secure the safety of lives and property. At the request of the mayor of Kansas City he ordered two companies of infantry to that point for the preservation of order, and the bridge at Lawrence, Kans., having been swept away, he also ordered to that city two companies of engineers with all available pontoon material.

Similar instructions were given to the commanding officers of Fort Riley and Jefferson Barracks at the latter place, because the flood in its course down the Mississippi River had put under water the whole of East St. Louis and vicinity. Several thousand refugees from the flooded country made their way to Belleville, Ill., where they were found badly in need of tents, blankets, and cots.

On the report, officially made, that the flood sufferers were being cared for and could be subsisted without Government aid until the wage-earners could again obtain employment, it was determined that in putting forth efforts to save life and property in the emergency of the flood the Government had discharged its full duty, and that danger of further loss of life having disappeared, the care of the indigents was one to be met by the State and local authorities.

FLOOD IN THE PACOLET VALLEY, SOUTH CAROLINA.

An unprecedented flood was reported June 7, 1903, as having devastated the Pacolet Valley, in Spartanburg County, S. C., sweeping away several large mills and leaving a large number of people without employment or food. In response to an urgent call for assistance, 4,000 rations were ordered to be forwarded from Fort McPherson, and an officer was detailed to proceed to the scene of disaster. He reported that he found about 5,000 people destitute, but that all were able to work and were securing positions as fast as the relief committees could furnish transportation to the new mills, for furnishing which they were making arrangements. Being informed that no other assistance than subsistence was necessary, he went to all the milling towns and found that the rations there on hand were required and had been turned over to the committees for distribution which was made from the milling companies' stores. After superintending the distribution for two days, he returned to Fort McPherson satisfied that all the needs of the people in the valley were supplied.

COMBINED ARMY AND NAVY MANEUVERS.

In these maneuvers, which, on the part of the Army, took place in the artillery district of Portland, Me, the entire Maine National Guard, the First Massachusetts Heavy Artillery, and two companies of the New York Signal Corps, participated.

ARMY MANEUVERS AT CAMP YOUNG, WEST POINT, KY., AND FORT RILEY, KANS.

For the greater instruction of the troops in extended field operations, troops from the departments of the East, the Lakes, and the Missouri, together with militia organizations from the States of Ohio, Indiana, and Kentucky, were assembled at Camp Young, West Point, Ky., under the direct command of Maj. Gen. John C. Bates, the commander of the Department of the Missouri.

Later, and under the same commander, troops of all arms drawn from the Departments of the East, Dakota, the Missouri, and the Colorado, with militia organizations from the States of Iowa, Missouri, Nebraska, Arkansas, and Texas, were concentrated at Fort Riley, Kans.

While there is no question that the association, instruction, and experience derived on the three occasions named above were profitable alike to the regulars and the militia, the nonreceipt of the full reports of those maneuvers precludes an intelligent presentation in detail of the lessons taught and the practical experience gained through those exercises.

LOUISIANA PURCHASE EXPOSITION, ST. LOUIS, MO.

To participate in the dedicatory exercises of the Exposition (April 30–May 2, 1903), 1 battalion of Engineers; Third Squadron of Fourth Cavalry; 6 troops of Eighth Cavalry; 4 batteries of Field Artillery; 2 battalions each of the Third, Twentieth, and Twenty-second Infantry; the bands of the Fourth and Eighth Cavalry; of the Third, Twentieth, and Twenty-second Infantry, and the Ninth Band of Artillery Corps were concentrated at St. Louis and organized as a division under the command of General Bates, commanding the Department of the Missouri.

The troops, thus assembled, numbered 173 officers and 3,343 enlisted men—121 officers and 2,370 men from the Department of the Missouri, and 52 officers and 973 men from the Department of the Lakes.

The command, excepting the cavalry, which was in camp, was comfortably quartered in the Educational Building on the fair grounds, officers and men messing in the same building under the very satisfactory management of Lieut. Col. A. L. Smith, Subsistence Department, chief commissary of the division.

The troops made an excellent appearance and on several occasions, when not occupied with other duties, engaged in military athletics, which exercises were well received. The different commands were instructed to pay special attention to entraining and detraining, and there can be no question that the concentration furnished valuable experience to all concerned.

GOVERNMENT HOSPITAL FOR THE INSANE.

The following is a list of persons committed to the Government Hospital for the Insane, under the order of the Secretary of War, from September 1, 1902, to September 1, 1903:

Officers of the United States Army	6
Enlisted men of the United States Army	100
Enlisted men of the United States Army (retired)	1
Late soldiers of the United States Army	9
Total	116

THE ADJUTANT-GENERAL'S OFFICE.

No change has been made during the past year in the law establishing the organization of the regular force of the office, but the number of temporary clerks, through unfilled vacancies, has been constantly diminishing notwithstanding the fact that the prompt conduct of business has necessitated work beyond regular hours on the part of many of the clerks in the several divisions.

Under the orders of the Secretary of War, dated August 19, 1903, three of the divisions of this office, with a total clerical strength of 82—38 regular and 44 temporary clerks—have been transferred as follows: The Military Information Division, to the office of the Chief of Staff; the Returns and the Rolls divisions, to the Record and Pension Office of the War Department.

The crowded condition of the rooms occupied by the clerical force of this office, adverted to in the last report, still continues, and the remarks on the subject made in that report apply with undiminished force to the present time. The proper organization of an important division—that of militia affairs—can not be effected for lack of rooms. When, as shown by a recent investigation, the general average of floor space per man, for his desk, chair, and necessary passageways, is not quite 62 square feet, and that insufficient space is still reduced lower in four divisions (averaging only from 50 to 56 square feet), further comment on the crowded condition of the rooms allotted to the office of the Adjutant-General seems unnecessary, beyond stating that its continuance seriously endangers the health of the clerks and, at the same time, operates to lessen the full measure of their efficiency.

An acknowledgment of faithful service rendered is due to all the officers on duty in the office of the Adjutant-General, and I desire to record my appreciation of the general intelligence and efficiency of the clerks of this office and, especially, of the several chiefs of division who have performed their important duties with untiring zeal and marked ability.

* * * * * * *

Respectfully submitted.

W. P. HALL,
Acting Adjutant-General.

The CHIEF OF STAFF.

REPORT OF THE INSPECTOR-GENERAL.

WAR DEPARTMENT,
INSPECTOR-GENERAL'S OFFICE,
Washington, D. C., September 30, 1903.

SIR: I have the honor to submit herewith the following report of the operations of the Inspector-General's Department for the fiscal year ending June 30, 1903:

PERSONNEL.

On July 23, 1902, Col. Joseph P. Sanger, Inspector-General, was promoted to the grade of brigadier-general of the line; and on April 11, 1903, Brig. Gen. Joseph C. Breckinridge, Inspector-General, was promoted to the grade of major-general of the line and retired; Col. Peter D. Vroom, Inspector-General, was promoted brigadier-general, Inspector-General, and retired; and Col. George H. Burton, Inspector-General, was promoted brigadier-general, Inspector-General. In consequence of these promotions Lieut. Cols. C. H. Heyl, T. T. Knox, and S. C. Mills were promoted to the grade of colonel. Col. T. T. Knox was retired at his own request. The vacancy caused by the retirement of Colonel Knox was not filled, as it was decided that Lieut. Col. J. L. Chamberlain was not eligible for promotion under the act of March 2, 1901, which provided that after the promotion, retirement, or other separation from the service of the lieutenant-colonels then in the Inspector-General's Department the corps should consist of 3 colonels, 4 lieutenant-colonels, and 9 majors.

These promotions made the first break in the ranks of the lieutenant-colonels of the regular Inspector-General's Department, and the vacancies were supplied by the detail of officers under the act of February 2, 1901, as follows:

Lieutenant-colonels: Charles A. Williams, U. S. Infantry; Frederick A. Smith, U. S. Infantry; Frank West, U. S. Cavalry. The two last named were already detailed majors and inspectors-general. Maj. Alfred Reynolds was taken out of the corps by promotion; and to fill the vacancies thus occasioned there were added by detail the following:

Majors: Herbert E. Tutherly, U. S. Cavalry; Leonard A. Lovering, U. S. Infantry; Lea Febiger, U. S. Infantry, and George H. G. Gale, U. S. Cavalry.

At the close of the fiscal year 1903, the roster of the Inspector-General's Department stood as follows:

Brig. Gen. George H. Burton.
Col. Ernest A. Garlington.
Col. Charles H. Heyl.
Col. Stephen C. Mills.
Lieut. Col. John L. Chamberlain.
Lieut. Col. Charles A. Williams, U. S. Infantry.
Lieut. Col. Frederick A. Smith, U. S. Infantry.
Lieut. Col. Frank West, U. S. Cavalry.
Maj. James S. Pettit, U. S. Infantry.
Maj. Herbert E. Tutherly, U. S. Cavalry.
Maj. Hobart K. Bailey, U. S. Infantry.
Maj. Ramsay D. Potts, Artillery Corps.
Maj. James A. Irons, U. S. Infantry.
Maj. Leonard A. Lovering, U. S. Infantry.
Maj. Lea Febiger, U. S. Infantry.
Maj. Thomas R. Adams, Artillery Corps.
Maj. George H. G. Gale, U. S. Cavalry.

In addition to these, at one time or another during the year, the following officers did duty as acting inspectors-general:

Lieutenant-Colonels: James Allen, Signal Corps; Alfred Reynolds, Eleventh Infantry.

Majors: E. B. Bolton, Twenty-fourth Infantry; D. A. Brush, Twenty-fifth Infantry; Lea Febiger, Seventeenth Infantry; F. H. French, Sixteenth Infantry; W. L. Finley, Eleventh Cavalry; J. C. Gresham, Sixth Cavalry; H. P. Kingsbury, Third Cavalry; F. W. Sibley, Eleventh Cavalry; H. E. Tutherly, Eleventh Cavalry; C. A. Varnum, Seventh Cavalry; F. K. Ward, First Cavalry; C. H. Watts, Fifth Cavalry; F. F. Eastman, Twenty-eighth Infantry; S. W. Taylor, Artillery Corps; A. G. Sharpe, U. S. Infantry, adjutant-general; G. K. Hunter, Fifteenth Cavalry; W. L. Pitcher, Eighth Infantry.

Captains: L. C. Andrews, Fifteenth Cavalry; J. S. Mallory, First Infantry; H. M. Reeve, Seventeenth Infantry; R. H. Van Deman, Twenty-first Infantry; W. M. Wright, Second Infantry; J. H. Wholley, Second Infantry.

Capt. M. J. Lenihan, Twenty-fifth Infantry, was on temporary duty in the office of the Inspector-General of the Army from September 1 to November 2, 1902.

Lieut. Col. Walter Howe, Maj. J. D. C. Hoskins, and Maj. E. D. Hoyle, all of the Artillery Corps, also acted as assistants to the inspector-general of the Department of the East.

From the reports of the annual inspections of posts, camps, cantonments, field commands, and the accounts of disbursing officers, recruitments, cemeteries, etc., of the various inspectors-general and acting inspectors-general during the fiscal year, the following facts are compiled in respect to the subjects treated:

INSTRUCTION.

Rapid strides have been made during the year toward improving the facilities and opportunities for instruction, as well as for encouraging and fostering it. The special service schools at Forts Leavenworth and Riley have been in operation with improved curriculums; regulations and courses of instruction for officers' schools at posts have been promulgated; improved methods of technical instruction for Coast Artillery have been adopted; new small-arms firing regulations have been published; target ranges have been improved and extended and new ones constructed; additional pay has been authorized for expert riflemen, and medals and a national trophy have been provided to stimulate rifle competition; combined army maneuvers and army and navy maneuvers have been held, and a start has been made to provide each permanent post with a gymnasium, etc.

The annual courses of practical and theoretical instruction prescribed by the several department commanders in accordance with A. R. 257 have invariably been carried out, so far as the conditions and facilities have permitted. These courses have included the usual garrison drills and military exercises, target practice, signaling, first aid, minor tactics for at least forty days, practice marches, physical training, etc., besides special instructions for Coast and Field Artillery; officers' schools

as prescribed in War Department orders, noncommissioned officers' schools, and post schools.

It is true that the troops at some posts and at a number of stations have not proper facilities to enable them to fully carry out the prescribed instruction. Nor would it be good policy for the Government to incur the expense that would be necessary to fully equip for instruction stations whose early abandonment is contemplated, however much it may be its duty to provide adequate means for the best possible instruction at the more permanent posts. We have, consequently, reports showing no small-arms target practice for want of a range; no artillery target practice for want of guns, or because the harbors are landlocked; no gallery practice for want of a gallery; limited drills for want of suitable drill grounds, or drill halls in winter; physical training imperfect for want of a gymnasium, etc. In the absence of requisites to perfect instruction, an energetic post commander can often do much to improve the service and at the same time ameliorate the condition of his men, and the inspection reports afford many illustrations of what business energy and hearty cooperation can accomplish with little, if any, expense to the Government, such as the construction of target ranges, improvising of means for artillery practice, amusements for the enlisted men, etc.

Considerable concentration of troops has been effected during the year in the Philippines with very beneficial results; but many of the stations there are yet garrisoned by a single company or troop or detachment, thus precluding battalion or squadron, or higher formations, for drill or other military exercises.

Cavalry.

For twenty posts in the Department of the Colorado, the Missouri, Dakota, and Texas, at which 70 troops of cavalry were serving, the reports covering the inspection exercises indicate, with very few exceptions, a very good state of instruction. The exceptions were confined to four posts, where, owing principally to new horses which were fractious in ranks, the drills were only fair. At Fort Clark, Tex., and Fort Wingate, N. Mex., marked improvement is observed since the preceding annual inspection. (Such comparisons, however desirable, are only practicable when troops have not changed station since the preceding annual inspection, and when both annual inspections are made by the same inspector.) An advanced state of instruction appeared to have been reached by the squadron at Fort Leavenworth, Kans., and the two squadrons at Fort Meade, S. Dak. At a few posts mounted exercises were not practicable, either for lack of mounts, as at Fort Walla Walla, or for lack of trained horses, as at Jefferson Barracks and in one squadron at Fort Riley, where the animals had just been received.

Field artillery.

The field artillery drills were satisfactory, and the horses, guns, carriages, implements, and equipments were in good condition. At Fort Riley the instruction comprised military problems of various kinds for field artillery and cavalry acting separately and together, and combined with other troops.

Swimming horses.

It does not appear from the inspection reports that there has been any instruction during the year in swimming horses by the cavalry and field artillery commands. The crossing of swollen streams by mounted troops is often necessary, and is known to have been attended in some instances with fatalities which probably would not have occurred had the horses been trained in swimming. There are, of course, some posts garrisoned by mounted

troops at which, on account of natural disadvantages, this instruction is not practicable; but at posts where the facilities for swimming are excellent it seems to be entirely neglected. This exercise gives confidence to man and horse, and, as it forms part of the drill prescribed for mounted troops (C. D. R. 483; D. R. L. A. 1100), should receive proper attention in season wherever practicable.

Coast artillery.

Drills of the coast artillery revealed, as a general rule, satisfactory progress. At some posts a commendable degree of efficiency was reported; but in several commands a large number of men were deficient in knowledge of nomenclature of guns and carriages, showing a necessity for more careful instruction of this nature. The infantry drills of a large number of coast artillery companies were only fair.

Infantry.

The drills and exercises of the infantry commands showed, in general, a degree of efficiency commensurate with the character and amount of instruction given, which, as a rule, has been as complete as the conditions and facilities seemed to warrant. The need of thorough, systematic, and progressive instruction, especially in battalion and regimental drills, minor tactics, etc., for all troops after returning from the Philippine Islands is well understood, and it is needless to say that this was apparent at the inspection of all battalions and regiments that had very recently returned. The companies, battalions, and regiments that had been at the home stations for some time were generally in excellent condition, and in several instances won commendations from the inspectors for the proficiency which they displayed.

Engineers.

The company and battalion drills of the First Battalion of Engineers at Fort Leavenworth, Kans., were excellent. This battalion was reported in excellent condition throughout.

Signal Corps.

The Signal Corps is in an excellant state of efficiency. In the Philippine Islands, where, approximately, 7,000 miles of telegraph, telephone and cable lines are maintained and operated by this corps, many of the men are stationed at ungarrisoned posts and are reported to be wholly dependent on natives for food and medical attendance. Those stationed along the great line between Manila and Cebu, which is the main artery of the archipelago, are evidently hard worked, being frequently pressed day and night to clear the wire. The Alaskan telegraph system, which has recently been completed, and which embraces 254 miles of cable and 1,669 miles of land lines, is further illustration of the efficiency of this corps.

MESSING.

With the exception of about a dozen posts in the United States, the company mess system obtains at all military posts and stations, and is reported to be very satisfactory. The food is reported to be properly prepared and served and sufficient in quantity and variety, except that in the Philippine Islands fresh meat and fresh vegetables do not appear to be furnished as regularly as desired at some stations, the forced issue of emergency rations to troops in garrison seems to have caused dissatisfaction, and the Filipino (Scout) ration is apparently insufficient. (See under Subsistence Department and Philippine Scouts.)

The general messes are evidently well managed, but the system always was, is, and in all probability will continue to be unpopular. Inspection reports reveal the opinion that it was so at Forts Sheridan, Thomas, Sam Houston, and Columbus Barracks, and other posts where they obtain. No soldier or officer appreciates it whether his experience makes his opinion of value or not; company commanders are averse to use their funds for its support; soldiers believe that they would fare better with company messes, and cooks can not be kept as well fitted for field service where it obtains as with the company messes. It is recommended that this system be discontinued as soon as possible. The large mess halls might be utilized to advantage for drill and other instruction purposes, gymnasiums, post exchanges, etc.

DISCIPLINE AND DESERTION.

Punishments conform strictly to military law, and proper discipline is being maintained.

The desertions appear to have been heavy at a number of the home posts, although some organizations have reported very few or none. Sixteen organizations stationed at Fort Meade, S. Dak., Fort D. A. Russell, Wyo., Fort Grant, Ariz., Fort Flagler, Wash., and Fort Stevens, Oreg., had 299 desertions in twelve months, an average of almost 19 desertions per organization. Whenever the inspection reports received at this office showed desertions in abnormally large numbers the attention of the Lieutenant-General Commanding the Army was drawn thereto with a view to special investigation.

Complete desertion statistics for the year are not yet available. For the two preceding fiscal years the figures for the Regular Army are:

Fiscal year.	Average enlisted strength.	Desertions.	
		Number.	Per cent.
1901	71,006	3,110	4.3
1902	79,086	4,667	5.9

When the yearly number of desertions has reached an aggregate equivalent to the authorized strength of almost six full regiments, and when the percentage of desertion has shown an increase in one year from 4.3 to 5.9, or 37 per cent, the subject of desertion becomes one of deep concern to the Government and should receive the closest possible investigation and attention. It is believed that much valuable information as to the causes for desertion could be obtained from the men of the organizations to which the deserters belonged, especially from those who were their associates, and it is recommended that an order be issued directing that when a soldier deserts a board of officers will be convened to thoroughly investigate the circumstances attending the desertion, and especially the causes which induced it, and make a report to the department commander through military channels. A quarterly tabular statement should be compiled from these reports at department headquarters and forwarded for the information of the War Department. This statement should show post and organization; where enlisted; ages and length of service grouped into, say, six classes each; and the causes for desertion briefly classified; and, to insure uniformity and facilitate digestion, should be prepared on a blank furnished by the War Department.

The principal causes for desertion in the Department of Texas, as observed by the inspector-general of that Department, are the lack of amusements and recreation at isolated frontier posts; the close proximity of the posts to a foreign country affording a near and safe retreat for deserters; and the abolition of the canteen feature of the post exchange, causing the establishment of numerous low groggeries in the immediate vicinity of the posts where no restraint can be kept on the soldier, and where drunkenness and gambling are encouraged until the soldier becomes so deeply involved that he deserts to escape the consequences.

It is the opinion of this office that there is no real cause on the part of the Government for the desertion of a single soldier. If we except the act depriving him of a certain privilege in his club—and the new recruit should have known of that when he enlisted—the Government has done and is doing everything for his comfort and welfare that can be expected. In fact, no soldiers in the world are as well fed, clothed, housed, and cared for as ours.

A man who is so morally depraved as to break his solemn oath of enlistment—and many evidently enlist with the intention of getting transportation to certain places and then deserting—should be severely punished for his crime. And it is believed that the best preventative of the commission of this crime would be to remove the two years' limitation as to trial of a deserter as fixed by the one hundred and third article of war, and provide a penalty of confinement at hard labor for not less than three and not more than five years in a military prison similar to the one formerly in existence at Fort Leavenworth, Kans.

GUARD DUTY.

The guards are regularly detailed and mounted, and, with few exceptions, were found to be well instructed. The countersign did not seem to be very generally used. Under existing regulations the commanding officer determines whether it shall be used or not. An officer of the guard did not appear to be detailed at all posts where practicable, the explanation in some instances being that for the present the young officers were more in need of other instruction.

With regard to tours of guard duty, the following little table compiled from the inspection reports for 127 posts—all that contain such information—presents some facts on the subject that may prove interesting:

Tours of guard duty of privates.

Location of posts.	Number of posts considered.	Average number of days apart.	Posts having tours.					
			Less than six days apart.		Less than five days apart.		Less than four days apart.	
			Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
United States	51	7	19	37.2	8	15.7	2	3.9
Philippines	76	5.2	45	59.2	28	36.8	12	15.8
Total and average	127	5.9	64	50.4	36	28.3	14	11

The expressed intention of paragraph 32, Manual of Guard Duty, is to insure to privates an interval of not less than six days between

tours of post guard duty, and to this end it provides for the performance of this duty by extra and special duty men, if necessary. It also prohibits the detail of privates for guard duty oftener than once in five days, except in emergencies, and directs that the number of sentry posts be diminished, if necessary to fulfill this requirement.

It appears from the table that at time of inspection the average number of days between tours of guard duty of privates for 51 posts having department headquarters in the United States was 7, and for 76 posts in the Division of the Philippines 5.2, the general average for the 127 posts being 5.9. A general average of practically one tour in seven days would seem to be reasonable guard duty, but the extremes are far apart (2–23), and this duty is heavy at a number of posts on account of the varying conditions and exigencies of the service, such as insuring safety from ladrones abroad or guarding prisoners at work at the home posts. The table shows that at 50 per cent of the 127 posts privates were getting less than six nights in, at 28 per cent of them less than five nights in, and at 11 per cent of them less than four nights in. Possibly some post commanders are not making proper effort to comply with paragraph 32, Manual of Guard Duty, although in every instance where excessive guard duty was reported as an irregularity by an inspector, the commanding officer stated that the large guard was urgently necessary at the time. However desirable it may be, guard duty is hardly susceptible of perfect equalization throughout the Army, although change of station and compliance with the manual will do much in this direction.

GUARDHOUSES AND PRISONERS.

The guardhouses were reported inadequate at a large number of posts, especially in the Departments of Dakota, the Lakes, the Missouri, Texas, and the Colorado, where a majority of them seem to be too small and unsatisfactory. In May last the commanding general, Department of the Colorado, in an indorsement on an inspection report, stated that all the guardhouses in that department were then overcrowded.

It seems that the present system of post prisons, which was inaugurated when the Leavenworth military prison was converted into a United States penitentiary, is unsatisfactory and demoralizing; that in practice it is lacking in proper means for the confinement, discipline, and working of long-term general prisoners, and that it entails large post guards, thereby increasing the proportion of men unable to attend daily drills and instruction.

The establishment of a military prison in the Middle West to which could be sent general prisoners whose sentences involved dishonorable discharge and confinement for one year or longer, except those sentenced to be confined in a penitentiary, would, it is believed, be the most effective remedy for the existing condition.

POST LIBRARIES.

A tabulation of the condition of post libraries for 102 posts shows that on an average there were 602 books to a library, and 2 daily, 4 weekly, and 4 monthly newspapers and periodicals received. The books consist in the main of Government publications and literature

that is not modern. Very few, if any, books are purchased, owing principally to the falling off, since the sale of beer was prohibited, in the post-exchange profits, which are available for this purpose. If the sale of beer were again authorized and a certain percentage (to be fixed by the War Department) of the exchange profits required to be devoted to the purchase of library books, it would, it is thought, be practicable to build up post libraries. In the absence of such means, Congress should appropriate the necessary funds for the purchase of good books of light literature, travel, biography, and history, and a few of the more scientific classes.

It does not appear from the reports that there are any post libraries in the Philippine Islands, but the organizations of the Regular Army serving there have, as a rule, company libraries. A good book to read would certainly help to shorten the day, bring contentment, and remove some of the distressing conditions that make service over there so trying and have led, in some instances, to suicide.

POST EXCHANGES.

It is more the exception than the rule that prescribed regulations for the government of the post exchanges are strictly complied with. It is believed from investigations that are being made that a vast improvement could be effected in the method of conducting post exchanges by placing retired officers in charge of them. The active officers of the army serving at posts are too busily engaged in the daily routine of post affairs to give to this class of work the attention it deserves. The exchange is a growing institution of post life. It is not only the soldiers' club, but it is the medium through which all the necessities of family life for the soldiers and their families as well as for the officers and their families are obtained. A properly supervised exchange furnishes at low cost all kinds of fabrics for wear as well as notions, and in latter years it has extended to the furnishing of vegetables, fruits, butter, milk, and eggs. There is one exchange on the Pacific Coast that supplies a fine tailoring establishment for the benefit of the officers and men. To make this institution the success that it deserves at the larger posts requires management of a superior order combined with vigilance from the beginning of the day to its end by the supervisor in person. This strict supervision can not be given at the larger posts by the officers on duty thereat. It requires the active scrutiny of an officer who has no other care on his mind but the buying, the selling, the maintenance of order, and a strict accountability of the money affairs of the institution. There is no class except that of the retired list where these requisites can be obtained. The demands upon an officer occupying such a position are entirely suitable for officers from this class, as their duties would be more or less of a sedentary character, which they are better able to perform than the duties prescribed for the same class for military professors of colleges. A general talk with many officers on this subject has met, without exception, with entire acquiescence in the opinion that the appointment of retired officers to fill this office at the larger posts would be most desirable. It is not doubted that a sufficient number of them of approved business capacity would be very glad to accept the appointment for the sake of companionship with their comrades and the privilege of quarters in which to live. It is believed that Congress, if

applied to by the Secretary of War, would willingly consent to give a limited number of officers on this duty the active pay of their grades while so acting.

The reports for 64 posts in the United States, Alaska, Cuba, Porto Rico, and Honolulu, show that 14 had no post exchanges, and at the 50 having them the rooms used for that purpose were generally unattractive, not satisfactory, and lacking in accommodations. At 20 of these 50 they were especially mentioned as unsuitable. At a few posts suitable buildings were being constructed for exchange and gymnastic purposes. The reports for 94 posts in the Philippine Islands show only 8 enjoying the privilege of an exchange. There were many desertions and few reenlistments at a number of posts. Drunkenness and absence without leave are noted in reports, and trials by courts-martial are very numerous. It is believed that a well-regulated post exchange and a thoroughly equipped gymnasium would accomplish more toward contentment and discipline in the Army than almost anything the Government can, under the law, accomplish.

QUARTERMASTER'S DEPARTMENT.

Remounts.

The remounts received by the cavalry and Field Artillery during the year were, with few exceptions, reported to be good and suitable. The inspector-general who made the annual inspection at Fort Riley stated that the horses, just then received by the third squadron, Eighth Cavalry, were the best he had ever seen purchased for the cavalry service. Some complaint was made as to the poor character or unsuitableness for cavalry service of the remounts received by Troop H, Tenth Cavalry, Troops G and H, Thirteenth Cavalry, and Troops A and D, Fourteenth Cavalry. In the Second Battery, Field Artillery, the horses were reported to be too heavy, while those furnished the Thirteenth Battery appear to have an opposite tendency. The remounts purchased in the East are reported to be better and easier to train than the range horses.

The discontinuance on February 9, 1903, of the system in vogue since December, 1900, of furnishing horses to troops without regard to uniformity of color, will result in improving the military appearance of each troop.

If in the future it should be thought advisable to introduce into our Army remount depots or breeding stations for the mounted service, Fort Sill, Okla., with its reservation of 50,000 acres, possesses excellent advantages for such an experiment.

Buildings.

Good progress has been made during the year toward providing necessary buildings for the shelter of the troops, animals, and supplies, but much hard work remains to be done before suitable accommodations for all will be available. At several posts the barracks and quarters were reported inadequate, and the hospitals, guardhouses, and storehouses too small, or unsuitable in some respects.

The great amount of construction and repair now in progress, or contemplated, at various posts, makes careful supervision and vigilance by expert officers necessary to safeguard the public interests.

The condition as to repair and sanitation of the public buildings was generally reported as good. Plumbing in some was defective, and in others needed overhauling and renewing.

In the Philippine Islands the churches and convents used as quarters for the troops are reported to be generally quite satisfactory; but the native shacks rented for such purposes are at best only fairly so, and their capacity is not sufficient to insure the best discipline. At some stations means of transportation and coal were reported to be unprotected from the weather.

From the Department of Luzon it was reported that many of the troops are quartered in nipa shacks or native houses, while the majority occupy convents and churches, which make very satisfactory quarters. Many of the buildings are used in connection with the quarters for the men, as quartermaster and commissary storehouses and guardrooms. The erection of permanent quarters at many of the sites selected for posts is now in progress and it is believed that all troops in the department will be under shelter within a short time, when the convents and churches can be vacated.

The question of the selection of a site and construction of permanent barracks at Honolulu deserves early attention. At the time of the inspector's visit, February 28, 1903, the Quartermaster's Department was paying $6,780 per annum in rent for military purposes there.

The system of lighting buildings and posts by electricity, which has been tried with satisfactory results at a few posts, should be extended to others, wherever practicable.

The plans which have recently received your approval will, it is believed, provide the necessary military force for Porto Rico with suitable accommodations, be promotive of the health, comfort, discipline, and efficiency of the troops stationed there, and make practicable a more economical administration. These contemplate the establishment at Henry Barracks, Cayey, of a permanent post of sufficient capacity for two battalions of the Porto Rico Provisional Regiment of Infantry and the concentration there of all troops in the island except coast artillery, the abandonment of all garrisoned places except San Juan and Henry Barracks, the improvement of the post of San Juan, and the dismounting of the Second Battalion, Porto Rico Provisional Regiment of Infantry.

Heavy furniture for officers' quarters.

The acting inspector-general, Department of the Colorado, and the acting inspector-general, Second Brigade, Department of Luzon, agree in suggesting that officers' quarters be provided with heavy furniture, such as ice chests, sideboards, tables, bureaus, bedsteads, etc.

Supplies.

The inspection reports, with few exceptions, bear testimony to the good quality and sufficiency of the supplies furnished by the Quartermaster's Department during the year.

There were some complaints in regard to the quality of the hats, in connection with which the Quartermaster-General has recently informed this office that steps have been taken toward furnishing an improved hat, provided with eyelets on each side for fastening on a strap or cord, as contemplated by the new clothing regulations.

Lack of uniformity in color of the khaki uniforms, poor quality of khaki cloth, faulty fit of khaki coats, muslin and chambray shirts out of proportion in measurements, shoes of poor quality or defective, and rubber boots defective, were reported, but with the exception of the multicolored service uniforms, the defects mentioned did not appear

to exist beyond a very few posts—from one to three posts each. Forage was reported inferior at six posts and depots, and coal at two.

Shortages in supplies, where reported, resulted generally from change of station, and were temporary or confined to articles of minor importance. Proper action appears to have been taken in regard to excessive supplies where noted, and this remark applies also to the other Staff Departments and need not be repeated.

Means of transportation.

The means of transportation, with few exceptions, were reported adequate and generally in good condition and well cared for. The deficiencies in these respects were generally receiving proper attention. In the Philippine inspection reports the poor condition of the animals and the want of suitable stables and shelter for wheel transportation are frequently mentioned; but unfavorable conditions as regards shelter in the archipelago are gradually disappearing with the construction of permanent posts and the abandonment of the temporary stations.

Army transports.

During the year sixty inspections of army transports were made by officers of the Inspector-General's Department, and there were received at this office seventeen reports submitted by officers commanding troops on board, under paragraph 199, Regulations for the Army Transport Service. These inspections and reports covered the *Buford*, *Crook*, *Hai-man* (chartered), *Kanawha*, *Kilpatrick*, *Logan*, *McClellan*, *Meade*, *Relief*, *Sheridan*, *Sherman*, *Sumner*, and *Thomas*. Of these, the *Buford*, *Crook*, *McClellan*, and *Meade* have been put out of commission since inspection, and the *Relief* has been transferred to the Navy Department. The *Hai-man* (chartered) was at time of inspection engaged in interisland Philippine service.

The *Kilpatrick*, *Logan*, *Sheridan*, *Sherman*, *Sumner*, and *Thomas* were plying between San Francisco and Manila at time of their several inspections. They appear to be kept in excellent condition, the regular overhauling and repairs necessary after each voyage were promptly attended to, the accommodations were satisfactory, except in two instances where well passengers were berthed in the hospital, the food was good there being only a few minor complaints—and the crews appear to be under good discipline and were satisfactory, except some trouble with employees of the steward's department during one trip, in which case decisive steps were taken upon arrival at port to rid the service of the recalcitrants. The quartermasters, surgeons, and ships' officers seem to be alive to the full performance of their duties, and the transport service, as represented by these vessels, appears to have attained an excellent state of efficiency and is evidently well managed at present.

The usual good fortune has attended the transports during the year, no serious accident having been reported. The *Sumner* encountered a typhoon on September 7, 1902, and showed splendid sea qualities, and the *Sherman* struck a rock in San Bernardino Strait December 26, 1902, and put into Batangas, whence she was able to proceed to Manila the next day. She has since been thoroughly repaired and repainted.

Many unauthorized persons manage in some way to get on board transports at San Francisco, and are accounted for as stowaways at inspection of the vessels at Manila. For instance, the *Sheridan* arrived at Manila January 27, 1903, with 11 stowaways on board, and

the *Thomas* arrived February 25, 1903, with 8 on board. It is suggested that more care might be taken at San Francisco to prevent such occurrences.

There were complaints made by three field officers commanding troops on board the *Sheridan*, *Logan*, and *Thomas* that their men were not provided with suitable clothing to protect them from cold weather encountered during the voyage. In these three instances the troops evidently experienced some discomfort, and in one of them considerable sickness, especially cases of bronchitis, was stated to have resulted from this cause.

Col. J. C. Chance, Fourth Infantry, in a report of a voyage of the *Sheridan* ending June 26, 1903, states that officers and men suffered from cold, all being dressed in khaki, and from his experience during three trips strongly recommends—

> That at least one blue uniform be allowed each enlisted man, or that the Quartermaster's Department be authorized to issue to the transport quartermaster a sufficient number of canvas overcoats, blanket lined, for the use of troops en route to and from Manila, the transport quartermaster to be responsible for the clothing and to be accounted for as other property.

A regulation should be adopted to insure a sufficient supply of woolen clothing to all troops crossing the Pacific, and to be retained on transports during the periods of usual severe frost.

National cemeteries.

Such national cemeteries as can be visited without departing materially from the routes of other prescribed inspections are required by A. R. 967 to be inspected once in two years. During the year 32 of the 83 national cemeteries were inspected, and it appears that, while but few were entirely free from deficiencies of some kind, as a rule they were in good condition and receiving proper care and attention. The superintendents were reported to be competent and satisfactory, eight of them being especially commended by the inspectors for zeal and efficiency in performance of duty.

As a result of an inspection made March 19, 1903, it is recommended that the national cemetery at Mound City, Ill., be discontinued and the bodies removed therefrom for the following reasons:

The cemetery at time of inspection presented the appearance of an artificially inclosed lake, covering the entire area from 2 to 3 feet deep. Few headstones were visible, and only the tops of those. The keeping of a boat for the raising and lowering of the flag is a necessity. Inundation is not infrequent; after heavy rains and with the rises in the Ohio River the depth extends to several feet. These conditions suggest early consideration of this subject.

The inspector-general, Department of Dakota, submitted the following suggestions relative to the national cemetery, Custer Battlefield, Montana, which he inspected October 16, 1902:

> The spot where Custer fell is marked by a wooden cross, as tourists have demolished the original stone. Application has been made to have an iron post planted to mark the spot. I believe this was suggested two years ago. The suggestion is again renewed. If it is deemed advisable to plant trees and otherwise improve the cemetery proper, it will be necessary to insure a water supply for irrigation. The water will have to come from the river. It occurs to me that the scene of this memorable fight would be better left in its natural state.

There were reported at the 32 cemeteries a total of 107 deficiencies, which were promptly brought to the attention of the Quartermaster-General by extracts from the inspection reports.

Post cemeteries.

The post cemeteries were generally reported in good condition and properly cared for. At 5 posts the fences were in poor or bad condition; at 9, some headboards or headstones were needed, and at a few the graves, walks, and grounds showed lack of care. Proper steps to remedy these deficiencies, where they had not already been taken, seem to have resulted from the inspections.

Quartermaster depots.

The reports indicate that the quartermaster depots were generally in good condition and their affairs properly conducted. Apart from additional buildings or rooms required for storage purposes at Jeffersonville Depot, Indiana, St. Louis Clothing Depot, Missouri, and the Schuylkill Arsenal, Pa., the important needs of the depots seem to be few. Electric lighting was desired at one, an increase in the capacity of the electric plant at another, and better protection against fire at two more. The discontinuance of the depot at San Juan, P. R., was recommended; and at Iloilo, P. I., where the number of employees was reported excessive and the corral unsuitable, the value or necessity of the depot was questioned.

SUBSISTENCE DEPARTMENT.

Very little complaint has been made of the quality of the subsistence stores supplied the various posts during the year, which proves their general excellence. Ham was reported inferior or unsatisfactory at 3 posts, flour at 3, bacon (issue) at 2, bacon (breakfast) at 2, cigars at 2, tobacco at 2, and fresh beef, dried fruit, evaporated potatoes, canned pears, and safety matches at 1 each.

There is yet apparently more or less irregularity in supplying fresh meat and vegetables to troops at some of the stations in the Philippine Islands. At one station fresh meat was issued only three days in seven months, at another there was none issued for the five months preceding the inspection, and at several it was issued only three to five times a month.

Attention is invited to the following remarks of the inspector-general, Department of Luzon, relative to lack of cold storage for fresh meat and vegetables in transit:

> Fresh meats and vegetables have frequently had to be destroyed either before or on arrival at their destination on account of the want of proper care during their transfer to the stations for which they were intended. This is attributable to the want of adequate facilities for their preservation en route. Many of the chartered transports are not supplied with cold-storage facilities or with ice chests of sufficient capacity to take care of the fresh meats transported by them. Attention was invited to this defect in my last annual report, and information received would indicate that little or no improvement has been made. The defect should be remedied as speedily as possible, both in the interests of economy and the welfare of the troops.

Supplies for Fort Gibbon, Alaska, are reported as arriving too late in the season, necessitating special arrangements to get them up the Yukon from St. Michael late in September. The requisitions should be so managed that the supplies will leave Seattle on the first boat of the season's navigation (last of May or 1st of June).

Emergency ration.

The operation of so much of paragraph 732, Subsistence Manual, as requires emergency rations on hand for two years to be issued one day in twenty in substitution for the regular rations until exhausted, works a great hardship on the soldiers in the Philippines, and has been the cause of dissatisfaction and complaint, as evidenced by the inspection reports. It is stated that

the men will not eat this ration in garrison—even the native scouts throw it away—and its issue in this manner practically amounts to a reduction of 5 per cent of the soldier's regular ration, which has to be made up by company-fund purchases, thus throwing the loss on the soldier. In an indorsement dated June 3, 1903, on a report of an inspection of the commissary at Batangas, P. I., the chief commissary, Department of Luzon, remarked, relative to issue of emergency rations to troops in garrison, "this office has no authority, though it fully recognizes the injustice inflicted on the troops." In an indorsement dated May 15, 1903, on an inspection report of the post at Baliuag, P. I., the chief commissary, Division of the Philippines, stated that—

> Of the emergency ration adopted by the board appointed by the War Department and fully described in the Commissary-General's report for the fiscal year 1901, there were 50,000 manufactured and sent out to these islands; 25,000 of these have since been returned within the last few months. There is an enormous quantity of the "Standard" emergency ration on hand in these islands, which ration the board of officers, previously referred to, rejected after an elaborate trial of same. That ration has never met the approval of the Commissary-General. From the foregoing it is undoubted that the emergency ration which is thrown away is the "Standard" emergency ration.

It thus appears that there was a few months ago an enormous quantity of emergency rations on hand which the troops will not use in garrison. It is recommended that the forced issue of these rations in garrison be discontinued.

Subsistence depots.

The subsistence depots and purchasing stations appear to have been found by the inspectors in a very satisfactory condition. At Manila, P. I., arrangements were being perfected under which the supply depot will be provided with ample storage facilities, and the rented buildings used as commissary storehouses dispensed with. Three newly constructed storehouses are to be turned over to the depot, which will remove a great difficulty the depot commissary has had to contend with and greatly aid the effort to curtail expenses. At the depot at Zamboanga, P. I., there was a shortage in supply of fresh meat and fresh vegetables at time of inspection, in connection with which the chief commissary of the division states that advantage is taken of every opportunity to send beef to that depot. A large quantity of stores and property which had recently been received from Manila was reported on hand at the San Francisco depot.

The inspector-general, Department of the Columbia, submits the following suggestion relative to the station at Vancouver Barracks, Wash.:

> The purchasing station should be either at Portland or Seattle, preferably Seattle, as the greater portion of the goods are shipped from or through there. There seems to be no occasion for a commissary depot or office here at Vancouver Barracks.

MEDICAL DEPARTMENT.

Dentists.

The reports show that the services of the contract dental surgeons are of material benefit to the Army, that their work has been very satisfactory, and that the charges made for supplying gold for fillings, etc., have not been excessive.

Attention is invited to the following remarks and recommendations of the inspector-general, Department of the Lakes:

While the services of contract dental surgeons at the posts where such services have been had are reported as being satisfactory, their duties do not seem to be sufficiently defined. Instead of the commanding officers requiring their men to present themselves for examination by the dental surgeon, the men in most instances avail themselves of this service or not as they choose; no supervision appears to be had over the dental surgeon either as to the length of his stay at a post or the extent of his duties while there, except the mere fact of giving the officers and men an opportunity to avail themselves of his services if they so desire, and recommendation is made that the company commanders be required to report their men for dental examination the same as is required for the purpose of vaccination.

Hospital Corps.

The military appearance, dress, and equipments of the Hospital Corps detachments at the various posts and stations were reported to be good, and, with few exceptions, they were well instructed in their duties.

Supplies.

The reputation of the Medical Department for furnishing supplies of good quality has been fully sustained, the unfavorable criticisms in this respect being confined to poor quality of quinine at one post and inert vaccine virus at another.

Post hospitals.

Of 80 posts inspected outside the Philippine Islands only 48 were reported to have hospitals that were entirely satisfactory and in good condition. Five of these posts had no hospital buildings; new hospitals were under construction at 2; and at the other 25 the hospitals were old and unsuitable or insufficient in capacity, needing replacement by new ones or enlargement to meet the requirements of present or full garrisons. The hospital at Fort Warren, Mass., is in a casemate and lacks many facilities. The one at Fort Apache, Ariz., is an old adobe structure with insufficient storage room; while at Fort Bliss, Tex., Fort Flagler, Wash., and Forts Egbert and Gibbon, Alaska, the hospitals were reported as showing defective construction due to inferior material or poor workmanship, or both. The hospital at Fort Egbert is described by the inspector as "a log building roughly furnished and not suitable in arrangement or proportions a new 12-bed hospital should be constructed;" and at Fort Gibbon, where, it is officially reported, the thermometer has registered as low as 63 below zero, the hospital accommodations, a depicted by the inspector, are as follows:

The hospital has no bathroom, operating room, or isolation ward; and the interior ceiling is of native spruce, shrunk by seasoning so as to leave large cracks, making it difficult to heat, and unsuitable on sanitary grounds. It is located on the parade in line with and in close proximity to other buildings. As this post must naturally be the place for the sick to be cared for from a score or more of telegraph stations along the Yukon and Tanana rivers, as well as the home garrison, a new 12-bed hospital, properly located, is suggested.

The hospitals in the Division of the Philippines do not appear to be entirely satisfactory. While they are reported to be well supplied with medicines and dressings, many are not provided with well-equipped operating rooms, or isolation wards, or special-diet kitchens—conditions which necessitate the use of dispensaries for operating rooms, and tents for isolation purposes, etc. The hospitals at a number of stations are inconveniently located, in some instances being a mile away from the company quarters.

Of course these adverse conditions in regard to the hospitals must have hindered, to some extent, the perfect care of some patients, but

no serious complaint has been reported, and on the whole the sick have been well cared for, and the work of the medical officers and their assistants has been excellent.

Inspectors reported that during the past year the Philippine Islands were visited by the bubonic plague, smallpox, and cholera, but the precautions taken by the medical officers throughout the Division limited the death rate among the troops to a minimum. The cause of infection could be traced in nearly every instance to the neglect on the part of the victim to comply with the instructions published for his guidance. It was clearly shown that with proper care cholera can be avoided, and that intelligent people who keep sober and observe simple rules are quite safe.

General hospitals.

These institutions were generally in excellent condition and well administered. At the general hospital, Fort Bayard, N. Mex., the services of additional healthy surgeons were needed; some of the buildings were in need of repairs; the means of transportation were inadequate, and the supply of newspapers and periodicals insufficient. The system of beef supply at this hospital was the subject of special investigation. The buildings of the convalescent hospital at Corregidor Island, P. I., were found to be in such poor condition at the annual inspection that, as a result of the inspector's report, the sum of $4,476.91 was allotted by the division commander for construction and repair thereat.

General hospital, Washington Barracks, D. C.

It was expected that all the buildings of this hospital would be torn down or removed within the year to make room for buildings needed for the post of Washington Barracks.

Attention is invited to the remarks of the inspector who made the annual inspection of this hospital relative to the utility of a general hospital in this city:

> It seems to me that the utility of a general hospital at Washington has been thoroughly demonstrated. There should be some place for officers and men who need special treatment for wounds or chronic diseases, or where they can be placed under observation to determine their fitness for duty in cases pending the action of a retiring board. If the present site has to be abandoned a new one on higher ground should be selected.

The instruction company of the Hospital Corps attached to this hospital was reported in good condition as regards military appearance, dress, and equipment. At first aid and litter drills the men displayed great intelligence and good training. They receive four months' instruction in care of the sick, pharmacy, first aid, dieting and preparation of foods, establishing of field and emergency hospitals, and riding and care of horses. The inspector, an officer who has had considerable experience in the Philippine Islands, suggests that the course be extended to six months for men intended for assignment to stations in the archipelago, as there are many small posts and detachments there not furnished with medical officers where skilled hospital-corps men are very valuable.

Medical supply depots.

These depots were in good condition. The business methods were satisfactory, and the Government interests were protected. The depot at Washington, D. C., consists of one large room in the basement of the Army Medical Museum building, which is reported to be too damp for storage of perishable articles and instruments. It is stated that this depot is only

temporary, and will be discontinued as soon as suitable accommodations for the supplies are available at the New York and St. Louis depots.

ORDNANCE DEPARTMENT.

The inspection reports are remarkably free from unfavorable criticism on the quality or suitability of the ordnance and ordnance stores furnished during the year. A few complaints of defective bluing of scabbards were reported; and at a single post each there was fault found with the rifle sights, carbine sights, revolver, curb bit, and cartridge belt, and the caisson-lid prop, telescopic sight, tangent sight, and gunner's quadrant for field artillery; otherwise the ordnance supplies were evidently of good quality. The criticisms being isolated is evidence that the defects were not general. It is worthy of remark that the records of this office show that the Ordnance Department has been prompt to investigate and remedy any defect that has been brought to the attention of the Chief of Ordnance by extracts from inspection reports.

Arsenals and ordnance depots.

The reports indicate excellent military and business administration and methods at the arsenals, ordnance depots, and powder depots inspected during the year. The ordnance detachments are well instructed and are kept under proper military discipline. The messing is good, and medical attendance satisfactory.

The more important needs reported were as follows:

Augusta Arsenal, Ga.—Assignment of an ordnance officer to assist the present one; one set of officers' quarters badly in need of repair; new barrack needed for ordnance detachment; water supply insufficient and rather expensive.

San Antonio Arsenal, Tex.—Main storehouse in poor condition, due to the foundation being defective and having settled; some of the shops and sheds old and dilapidated; new general storehouse needed.

Frankford Arsenal, Pa.—The inspector who made the annual inspection of this arsenal sums up its pressing needs as follows:

> The great increase in the past few years in the quantities of ordnance stores manufactured has rendered the available storage facilities entirely inadequate to the needs of this arsenal. This condition of affairs will be still further emphasized when the artillery cartridge factory now in course of construction is completed and in running order. It is of the utmost importance, therefore, that the storage capacity of this arsenal should at an early date be enlarged by the erection of a storehouse—capacity about 350,000 cubic feet.
>
> The present plant for the manufacture of shrapnel at this arsenal is capable of turning out about 100 3-inch shrapnel per day. This plant, for lack of other space, is at present located in the cellar of the machine shop. This space is dark, badly ventilated, and inconveniently located. It is incapable of expansion to meet the future requirements of the service, which will involve the manufacture in large quantities of shrapnel of all calibers up to 7 inches. A building has been designed to meet these requirements, and it is important that it should be erected as soon as practicable. When available it will be possible to increase the shrapnel plant to four times its present capacity.

Ordnance Depot, San Juan, P. R.—One magazine in bad condition. (Not in use.)

United States Powder Depot, Dover, N. J.—The main drawback appears to be that the depot is reached directly by but one line of railroad, the management of which is unpleasantly independent in

regard to furnishing cars and the rate for same. At present they tax the Government from $7 to $10 for every car furnished, in addition to freight charges, and the only alternative is to haul the powder about 5 miles in wagons.

Sandy Hook Proving Ground, N. J.—Barrack overcrowded: fire protection did not seem to be adequate, considering the importance of the machinery and records in the shops and offices. A siren, used to warn vessels from shore, was reported as an unmitigated nuisance, and recommendation was made that it be moved out on the point.

PHILIPPINE SCOUTS.

There are 50 companies of Philippine scouts, organized under the act of Congress, approved February 2, 1901, but it does not appear that anything beyond company organization, without a captain, has been effected or directed; although the law makes provision for captains and majors and authorizes squadron or battalion organization in the discretion of the President.

The scout companies generally show excellent progress in instruction. In several instances the company drills, in close and extended order, were reported to be equal to those of the average regular companies. Commendable credit is due to the officers who have accomplished the results in evidence. The aptitude of the Filipino for military service seems to have been established; and apart from the question of loyalty to the United States—and the officers have implicit confidence in their men in this respect—the uncertainty as to the future status of these organizations seems to be the only obstacle in the way of their ultimate success.

The following recommendations are submitted with a view to increasing their efficiency as soldiers of the United States and supplying their apparent wants as developed during the year's inspections.

Each company should have 3 officers, regimental organization should be authorized, and the door of promotion opened to officers and deserving enlisted men.

The present scout ration has been reported insufficient in practically every scout company inspected during the year, and even sickness among the men, including beri beri, has been attributed to its inadequacy. Company and post commanders, surgeons and inspectors, one brigade commander, the adjutant-general of a department, and the inspector-general of the division are on record in the inspection reports as favoring the issue to the scout of the American soldier's ration, with some modifications in the fruit and vegetable components.

An increase in the clothing allowance for the first six months of service would seem to be necessary and desirable, for the reason that much difficulty is experienced in clothing the scouts during the first year of service. Under existing regulations their allowance for the first six months of service is only 16⅔ per cent of their three year's allowance, while that of the regular soldier is 48 per cent of his.

A size of clothing smaller than the present No. 1, and a good khaki-colored canvas shoe should be supplied by the Quartermaster's Department for issue to them.

It is also recommended that modern arms be issued to these native troops, especially to the Macabebes and Ilocanos, and that each organization be furnished with a dozen bolos.

RECRUITING.

There were inspected during the year 67 recruiting stations, at which 1 lieutenant-colonel, 8 majors, 33 captains, 13 first lieutenants, 3 second lieutenants, 78 sergeants, 69 corporals, and 116 privates, a total of 58 officers and 263 enlisted men, were on duty. The officers were giving close personal attention to their duties, and the enlisted men, with a few exceptions, were competent and satisfactory. The irregularities and deficiencies were few and pertained mainly to matters of dress, records, reading of Articles of War, and police of station. At a few of the stations inspected since the issuance of Circular 9, Adjutant-General's Office, March 7, 1903, the requirements of paragraph 4 thereof, directing that "When a recruiting party consists of two or more enlisted men one man of soldierly bearing and properly uniformed will be posted at the main entrance of the recruiting station during at least three hours of each week day," were not being observed. Eight of the stations were reported to be undesirably located.

The total number of rooms occupied by the 67 stations is 362, for which a monthly rent of $3,465.15 is paid, or an average of $9.57 per room, and $51.72 per station. The greatest number of rooms occupied by a station is 15 (at Chicago, Ill., and Cincinnati, Ohio) and the least is 1 (at Hartford, Conn., and Jacksonville, Fla.), the average for the 67 stations being 5.4. The highest rent paid is $150 per month for 14 rooms at New York City and the lowest is $15 per month for 3 rooms at Portland, Me.

Sleeping accommodations are provided for recruiting parties and recruits at about two-thirds of the stations, at which the bunks, bedding, etc., were reported to be in good condition. In the absence of sleeping rooms at stations lodgings are provided by contract at hotels or lodging houses. Both arrangements seem to be satisfactory. With few exceptions the bathing facilities at the stations and lodging houses were reported to be satisfactory.

Meals are furnished under contract at various rates ranging from 18 to 25 cents each, the average being 23½ cents. With two exceptions the food was reported to be of good quality and sufficient in quantity. It appears that at a few stations the recruiting officers were under the impression that the maximum allowance for a meal at a recruiting station is 25 cents which, it is claimed by some, is not sufficient to insure a good meal in the larger cities. Such misunderstandings probably arise from the fact that the contract price of a meal at these stations does not exceed 25 cents. This fact, however, is the result of bidding and not of any law, regulation, or order.

At the 67 stations, and their 208 auxiliary and temporary substations (not inspected), 83,362 persons applied for enlistment during the twelve months preceding the inspection of the main stations, of whom 15,334, or 18.39 per cent, were accepted and 68,028, or 81.61 per cent rejected. Compared with last year's figures of 28+ per cent accepted and 71+ per cent rejected, the figures for this year show a marked change in percentages, the ratio of rejected to accepted increasing from 2.5 to 1 to 4.4 to 1.

Of the accepted applicants, 13,472, or 87.85 per cent, were of native, and 1,862, or 12.15 per cent, of foreign birth. The corresponding percentages for last year were 86+ and 13+, respectively, showing an

increased proportion of enlistments for the native element, the ratio of native to foreign born being 7.2 to 1 for this as against 6.6 to 1 for last year.

Of 13,247 recruits enlisted at 59 of the main stations and 196 auxiliary and temporary substations, 479 were reported to be minors, 11,067 between 21 and 30, and 1,701 over 30 years of age, the percentages being, in round numbers, 4, 83, and 13, respectively. As the enlistment of minors was prohibited by circular letter from the Adjutant-General's Office of February 15, 1902, those reported were evidently accepted before that date. By General Orders, No. 127, Adjutant-General's Office, December 16, 1902, the enlistment of minors is prohibited everywhere until further orders.

DISBURSEMENTS.

During the fiscal year there were received at this office (including insular accounts) 1,756 reports of the inspection of the money accounts of disbursing officers of the Army, as against 3,040 for the preceding year, a decrease of 1,284. Relating to reports, not including the insular accounts, the amount involved was $253,916,673.17, as against $301,688,645.81 for the preceding year, a decrease of $47,771,972.64.

Including various inspections of the same funds, the results for the fiscal year may be summarized as follows:

Balances taken up		$18,903,371.57
Receipts from Treasury	$125,006,700.63	
Receipts from sales, etc	11,122,672.32	
		136,129,372.95
Transfers from officers		98,883,928.65
Total to be accounted for		253,916,673.17
Disbursements	113,715,428.35	
Deposited to credit United States Treasurer	11,596,490.51	
Transfers to other officers	111,859,511.74	
		237,171,430.60
Balance		16,745,242.57

Balance distributed as follows:

United States Treasury	$9,302,560.50
United States depositories	2,612,665.98
Other depositories	2,084,361.57
Cash on hand	2,745,654.52
Total	16,745,242.57

The amount of cash on hand at the close of the fiscal year is reported as $2,745,654.52, as against $6,826,332.23 for the preceding year, a decrease of $4,080,677.71, though there was, comparatively speaking, no great difference in the amounts inspected for the two years. Cash on hand this year at the Soldiers' Homes and in other nonmilitary accounts amounted to $11,958.22, leaving the net sum of $2,733,696.30 as the amount of cash in the hands of disbursing officers of the Army. This is about 0.026 per cent of the whole year's disbursements by these officers, as against about 0.05 per cent for 1902 and 0.057 per cent for 1901. It is about 31 per cent of the monthly disbursements, as against 60 per cent for 1902 and 145 per cent for 1901.

The following tabulation shows the decrease for 1903 in the total amount involved as compared with the transactions in 1902, viz:

Decreased amounts:		
Subsistence Department		$4,109,903.92
Engineer Department		2,614,672.89
Ordnance Department		8,813,695.25
Pay Department		36,544,806.89
Medical Department		514,607.22
Recruiting officers		64,986.41
Miscellaneous		4,928,266.39
Total decrease		57,590,938.97
Increased amounts:		
Adjutant-General's Department	$452.49	
Quartermaster's Department	7,278,268.41	
National Home for Disabled Volunteer Soldiers	2,540,245.73	
		9,818,966.63
Net decrease		47,771,972.34

For the past four fiscal years the Army disbursements, as shown by the inspection reports received at this office, may be grouped as follows:

	1900.	1901.	1902.	1903.
Army	$117,993,539.75	$84,940,968.98	$108,946,771.11	$82,905,549.95
River and harbor	24,769,168.62	19,490,546.94	23,011,374.84	21,396,056.48
Other civil	7,610,288.13	7,489,074.53	7,750,556.10	9,413,821.92
Total	150,372,996.50	111,920,590.45	139,708,702.05	113,715,428.35

During the past eight years the relations between the total amount involved, as compared with the disbursements, transfers, deposits in the Treasury, and balances on hand, appear as follows:

	1896.	1897.	1898.	1899.	1900.	1901.	1902.	1903.
Disbursements	0.710	0.706	0.712	0.527	0.523	0.486	0.464	0.446
Transfers between officers	.207	.197	.184	.372	.355	.379	.376	.440
Redeposited in Treasury	.013	.018	.017	.031	.048	.034	.049	.046
Balances on hand	.070	.079	.087	.070	.074	.101	.111	.068

The average monthly disbursements of officers of the Army, whose accounts were inspected during the year, amounted to $8,700,873.73, and their final balances represented 178 per cent of this average.

Insular funds.

During the year 61 reports of inspections of the accounts of officers disbursing insular funds in the Philippines were received in this office. In these accounts the total amount involved was $538,057.34; the disbursements were $152,908.78, and the final balances were $66,493.04; of which $32,021.17 was cash on hand, $11,292.84 was in United States subtreasuries, and $23,179.03 was in banking concerns in the Philippines.

CONDEMNED PUBLIC PROPERTY.

Property eliminated.

During the fiscal year the total number of inventory and inspection reports received at this office was 6,362, as against 7,502 for the preceding year (a decrease of 1,140), or an

average of about 18 such inspections per day during the year, including Sundays.

These reports show that 14,026,047 articles (including units of weight and measure) were inspected; and that of this number 13,328,327 were condemned, and 697,720, or nearly 5 per cent, were retained in service. During the preceding fiscal year 12,693,681 were condemned and 847,864, or about 7 per cent, were retained in service.

Of the whole number of articles presented for inspection, 13,686,099, or about 95.5 per cent, had their original cost price given, as against about 80 per cent for the preceding fiscal year.

By applying the average value of the articles of which the cost price was given to those of which the cost price was not given, it is found that the approximate first cost of all the articles inspected during the year aggregates the sum of $3,408,351.45, and of these the articles retained in service cost approximately $980,630.91. This would make a per capita per enlisted man of nearly $61 for articles condemned, and of more than $16 for articles retained in service. For the preceding fiscal year these per capitas were $75 and $8, respectively, the original cost of the articles condemned and retained in service for that year having been $4,533,294.44 and $544,874.94, respectively.

Public animals.

The following tabulation of the reports received during the fiscal year ending June 30, 1903, shows the number of animals inspected, condemned, and retained in service during that fiscal year, to wit:

Designation.	Inspected and condemned.			Retained in service.		
	Number, cost stated.	Money value.	Number, cost unknown.	Number, cost stated.	Money value.	Number, cost unknown.
Staff	593	$94,066.43	19	45	$6,299.25	32
Posts	2,073	255,349.87	56	155	17,547.65	5
Cavalry	1,101	120,471.96	29	112	13,155 40	1
Artillery	141	18,965.60	19	8	1,100.50	2
Infantry	5	410.00				
Philippine scouts	36	5,362.00				
Total	3,949	494,655.86	123	320	38,102.80	40

It therefore appears that the total number of public animals presented during the fiscal year 1903 (including 1 caribao and 2 Esquimaux dogs) was 4,432, as against 5,229 in 1902, a decrease of 797. In 1903 some 3,949 animals that cost $494,655.86 were condemned, against 3,356, cost $408,807.12 in 1902, an increase of 593 animals and $85,848.74.

In 1903, 123 animals, the cost of which was not given, were condemned, against 1,032 in 1902, a decrease of 909. And there were retained in service 320 animals, cost $38,102.80, against 381, cost $36,982.55, in 1902, a decrease of 61 animals and an increase of $1,120.25. And of those, the cost of which was not given, there were retained in service 40, against 560 in 1902, a decrease of 520.

In 1903 the total value of the 4,269 animals, the cost of which was given, was $532,758.66, an average cost of $124.79. On this basis the total approximate value of the whole number of animals presented was $553,099.43, and of the 360 retained in service, $43,094.40. In the preceding fiscal year, by a similar calculation, the value of the

5,229 animals inspected was $635,706.41, and of the 941 retained in service, $112,251.89.

Glanders and surra.

The disease of horses known as glanders, which has been so prevalent in the Philippines for several years, seems to be on the decline, if the reports received during the fiscal year 1903 may be taken as an indication. In this year there were only 846 of the animals inspected there which were reported as having the glanders, as against 1,311 for the preceding year, a decrease of 465. In addition to these, 24 glandered animals were presented in the United States, and 7 in Porto Rico, making a total of 877, as against 1,419 in 1902. In 1903 some 828 animals with surra were presented in the Philippines, but none elsewhere.

Blind animals.

During the year there were also presented for inspection 211 animals (as against 441 for 1902 and 694 for 1901) that were blind in one or both eyes or were afflicted with diseases that lead to blindness. In 1903 those presented for blindness comprised about 4.7 per cent of the whole number presented, as against 8.3 per cent for 1902 and almost 25 per cent for 1901. For the three years those presented for blindness may be summarized as follows:

	1901.	1902.	1903.
Cuba	484	272	0
United States	116	70	89
Porto Rico	62	1	3
Alaska	1	1	0
Philippines	31	97	119
Hawaii	0	0	0
Total	694	441	211

The marked decrease in blindness of public animals is doubtless due to the withdrawal of troops from Cuba and, to a large extent, from Porto Rico also, in which islands blindness or diseases of the eye seemed epidemic among the public animals not foaled there.

Condemned subsistence stores.

For several years past an account has been kept of the amount and cost of some thirty-three articles of subsistence stores that were inspected and condemned, as shown by the reports that were received at this office, and the total original cost of these articles for the fiscal year 1903 is reported as $409,809.91, as against $283,602.23 for 1902 (an increase of $126,207.68); $308,460.69 for 1901 (an increase of $101,349.22), and $290,786.08 for 1900 (an increase of $119,023.83); so it appears that the fiscal year 1903 was by far the most expensive year in the loss of these articles since an account has been kept of them.

For 1903 and 1902 the percentages of these losses, geographically, were:

	1903.	1902.
Philippine Islands	81.2	86
Cuba and Porto Rico	.9	7
Alaska and Hawaii	1.4	2.5
Transports	1.5	2.3
United States	15	2.2
Total	100	100

The marked increase of losses in these articles in the United States was due mainly to the large amount of tobacco (119,062 pounds, cost $55,723.89) condemned on a single report and ordered to be sold. This tobacco had been to the Philippines and was sent back to the United States as deteriorated and not fit for sale to troops, consequently it was a loss that really pertained to the Philippines and not to the United States, where it was inspected. This decreases the actual percentage of loss in the United States to 1.4, and increases that in the Philippines to 94.8.

Taking the figures as they stand, the losses in the various geographical divisions as tabulated were as follows for the four years the account has been kept, viz:

	1900.	1901.	1902.	1903.
United States	$84,814.17	$11,631.49	$6,467.37	$61,552.35
Philippine Islands	113,816.28	252,915.62	244,028.21	332,610.05
Cuba and Porto Rico	72,908.86	22,016.02	19,412.84	3,681.03
Alaska and Hawaii	361.52	1,500.16	7,041.20	5,736.06
Transports	18,885.25	20,397.40	6,652.61	6,230.22
Total	290,786.08	308,460.69	283,602.23	409,809.71

The total losses of all the articles for the four years amount to $1,292,658.91, of which $943,570.16—almost a million dollars—was in the Philippines alone. Among the losses on these articles in the Philippines during the fiscal year 1903 there were on one inventory and inspection report $2,460.94 worth of yeast, $2,450 worth of baked beans, $13,250 worth of dried fruit, $12,731.73 worth of crackers, $88,500 worth of canned fruit, and other articles of subsistence, amounting in all to a cost value of $372,948.72. These supplies were reported as "surplus," and were ordered to be sold. On another inventory 60,578 pounds of issue bacon was inspected and found "infested with bacon bugs," and otherwise damaged by long storage. Of this, 47,077 pounds were continued in service, and the balance sold.

The largest loss on a single article during the year was $107,805.26 on canned fruit, and $88,500 worth of this was condemned as "surplus," as shown above. As a matter of fact, if all the articles eliminated as surplus during the year were subtracted, the total loss shown by the above table would be reduced at least half.

Mineral waters.

An account was kept in this office of the number of bottles of mineral water, and their cost price, which were inspected in the Philippines during the fiscal year 1903, and the result is shown in the following tabulation:

Kind.	Bottles.	Cost.
Apollinaris	45,739	$5,415.12
Ginger ale	100,136	7,150.33
Shasta	17,584	1,500.86
Tan-San	10,806	382.50
Teplitz	3,220	261.60
Total	177,485	14,710.41

Auction sales.

During the year 551 reports of auction sales of condemned property were received, as compared with 514 for the preceding year, and the amount of sales reported was $144,554.05, as against $243,412.85 for the fiscal year 1902—a decrease of $98,858.80;

but no reports were received of the sales of a good deal of the property ordered sold during the fiscal year 1903.

The following tabulation shows in detail the transactions in auction sales during the past fiscal year, viz:

Department.	Number received.	Number of articles sold.	Cost price.	Average cost price.	Proceeds of sales.	Average proceeds.	Per cent of cost.
Quartermaster:							
Supplies	370	1,767,665	$405,602.77	$0.23−	$51,423.01	$0.03−	12.7
Animals		1,188	153,939.74	129.57	48,699.23	40.99	31.7
Subsistence	68	548,041	39,426.57	.07+	10,084.32	.02−	25.6
Engineer	43	348,249	138,708.91	.40−	17,709.09	.05+	12.7
Medical	51	25,831	41,120.70	1.55+	5,228.06	.20+	12.7
Ordnance	18	9,228	299,294.32	32.43+	11,409.94	1.23+	3.7
Signal	1	7	28.50	4.07+	.40	.06−	1.4
Total	551	2,700,209	1,078,121.51	.53+	144,554.05	.05+	13.4

MILITARY COLLEGES.

The past year has been marked by a very healthy growth of the military feature at the various institutions of learning throughout the country at which army officers are assigned by the War Department. The year seems to have been an unusually prosperous one, as is evidenced by the fact that at some of the colleges their capacity was taxed to accommodate the number of entrants, while at a few others students were turned away for lack of accommodations. The number of officers of the Army engaged in this work approaches somewhat to the conditions which prevailed just prior to the outbreak of the Spanish-American war, with the exception that now a large majority of them are on the retired list. General Orders, No. 94, Adjutant-General's Office, which specifies the laws, regulations, and instructions governing the detail of army officers at educational institutions, classifies the colleges and prescribes the course of military instruction, with the minimum number of hours which shall be devoted thereto each week, etc., was issued August 9, 1902, and has thus been in operation about one year. The special inspectors detailed to inspect colleges during the past year were instructed to ascertain if the provisions of this order have been complied with, especially as to practical and theoretical instruction. In many instances the order is said to be strictly complied with, and every facility, encouragement, and aid are granted the professors of military science and tactics. That there should be a few laggards is but natural. The purely military colleges find no difficulty in fully meeting every requirement of the War Department, as their special and particular aim is to turn out men educated for the profession of arms.

General Orders, No. 6, War Department, Washington, August 24, 1903, will doubtless mark an important epoch in the history of military instruction at civil schools and colleges. Briefly summarized, it provides for the appointment of six honor graduates to second lieutenancies in the Regular Army from as many colleges, provided that sufficient vacancies exist after exhausting the graduates of the Military Academy at West Point and the successful competitors among the enlisted men. This will assuredly supply a long-felt want in the nature of a healthy material incentive for students to take the military course. Heretofore the military department could offer no reward to those possessing a practical knowledge of military matters, acquired,

perhaps, at some sacrifice and the neglect of other branches of learning which offer larger fields for usefulness in after life. But hereafter, under the provisions of this order, the cadets having the highest standing in the military department can look forward to the promise of a commission in the Army, with all that its significance implies.

Military professors.

At the close of the last fiscal year the army officers on duty at schools and colleges as professors of military science and tactics numbered 78. Of these officers 27 were in active service and 51 on the retired list. This is quite a gain in officers on the active list, as in the previous year out of 76 officers all were retired but 2. These officers have been reported satisfactory, as a rule, and have performed their duties very well, maintaining harmonious relations with both the faculty and the students. In some instances the college authorities have expressed a desire for younger officers for this duty.

Military department.

Out of 77 colleges reporting, the annual amount appropriated for the military department ranges from nothing to $5,500. The number that fail to make any financial provision for the military department is quite small, being about 14 per cent of the total.

Forty-nine colleges out of a total of 74 report that proficiency in the military department is necessary for a diploma. Almost all the colleges offer various prizes for high standing and proficiency in the military work. These consist of gold and silver medals, swords, badges, some cash prizes ranging from $10 to $20, certificates, and cadet commissions. It is observed that at one institution the two senior cadet officers are paid $10 per month as instructors, and at another the roster of the best drilled company is published in the catalogue of the succeeding year and also placed in a neat frame in the library.

The number of graduates from the military department during the past college year was 1,647.

Inspections.

The colleges inspected near the close of the last college year foot up a total of 91, some of them having only Government arms and equipments. There were 83 institutions with army officers on duty at the close of the college year, and of these all were inspected except 7.

Students.

Seventy-four colleges report capacity to teach an aggregate of 55,795 students. The reports from 76 colleges show that the male matriculants numbered 39,645. Of 37,445 male students actually in attendance, 34,892 were over 14 years of age, leaving not quite 7 per cent under that age.

Cadets.

At 77 colleges the total average number of cadets in the military departments footed up 16,121. The age of these cadets averaged about 18 years, and ranged from 13 to 23 years.

Practical instruction.

Excellent results have been reported from the practical work in a number of instances, and a high degree of efficiency is attained at many of the colleges. The number of hours devoted to practical instruction per week ranges from one to twelve.

Theoretical instruction.

The number of hours per week devoted to theoretical military instruction at the different institutions ranged from none to twelve. At a majority one hour per week was devoted to this instruction, followed by about one-fourth of

the total number with two hours, and a few with three, four, five, and eight, so that the general average is a little in excess of two hours. At 70 colleges reporting upon this feature there were a total of 608 lectures delivered. Of this number of colleges all but 14 had one or more lectures. These were all delivered by the officers on duty as professors of military science and tactics, with the exception of a very few by visiting lecturers.

Organization.

The organization of the cadets in the military departments is similar to that of the Regular Army. The infantry company is the unit.

The aggregate strength of the military organizations at the close of the college year at 74 colleges was 13,144. The cadets were organized into 4 regiments, 81 battalions, and 258 companies. There were also a number of detachments reported, such as artillery, hospital, and signal, formed for the purpose of instruction in these particular branches.

Arms and equipments.

With a single exception the small arms in use at military colleges are the caliber .45 Springfield cadet rifles. These are generally reported in good condition and properly cared for. Arming this body of instructed youth with an antiquated out-of-date weapon can hardly be expected to produce as good results as might reasonably be anticipated if they were supplied with the modern rifle. The importance of having the latest and best weapon for the practical instruction of this army of young men is as pressing as its need by the National Guard, and when the latter are supplied the military colleges should be also.

Marches and encampments.

So far as specifically reported, there were 130 practice marches by the cadets, who marched a total distance of 720 miles, and these marches were participated in by 2,646 cadets. The longest day's march was 36 miles. The cadets at 13 colleges went into camps for periods ranging from four to twelve days in duration.

Target practice.

Out of a total of 70 colleges, target ranges are provided at 35, some of which are said to be in excellent condition. Target practice is reported as having been held at 39 colleges, and the number of cadets participating was 3,549.

Some work and results.

The number of drills reported held during the past fiscal year at 69 colleges was 10,842, of which 7,262 were outdoor and 3,254 indoor. Of the outdoor drills there were 6,181 infantry, 821 artillery, and 260 cavalry; and of the indoor drills there were 2,736 infantry, 194 artillery, and 324 cavalry.

SOLDIERS' HOME, DISTRICT OF COLUMBIA.

An inspection of this institution was made July 1 to 4, 1903, under the requirements of the act of March 3, 1883.

During the year Gen. H. S. Hawkins had succeeded Gen. George D. Ruggles as governor of the Home and Col. E. B. Williston had succeeded Col. R. F. Bernard as deputy governor, but otherwise there had been no change in the official personnel.

A minute inspection of the barracks from top to bottom failed to disclose anything calling for criticism. The various buildings were found to be in excellent condition as to order and cleanliness, and the condition of the grounds, roads, and walks was such as to reflect the

highest credit upon the present efficient management. Indeed, it gives me pleasure to state that the Home seems to be managed to the satisfaction and great benefit of its many worthy inmates.

The men were neatly and properly dressed, presented a commendable appearance, and appeared to be satisfied and contented; and there is a very evident inclination and effort on the part of the governor and his assistants to make the men's surroundings as congenial and pleasant as possible.

The average per capita cost of maintenance for the year was $276.04, an increase of $24.75 over the preceding year.

Respectfully submitted.

G. H. BURTON,
Inspector-General.

The SECRETARY OF WAR.

REPORT OF THE JUDGE-ADVOCATE-GENERAL.

WAR DEPARTMENT,
JUDGE-ADVOCATE-GENERAL'S OFFICE,
Washington, D. C., September 30, 1903.

Hon. ELIHU ROOT,
Secretary of War.

SIR: I have the honor to submit the annual report of the Judge-Advocate-General's Department for the year ending June 30, 1903.

The following data are compiled from the records received at this office of trials completed and published during the year covered by this report:

Commissioned officers tried by general court-martial:	
Convicted (sentences disapproved in 2 cases)	27
Acquitted	12
Cadets tried by general court-martial (convicted)	5
Enlisted men tried by general court-martial (including a few cases of civilians serving with the Army in the field and discharged enlisted men serving as general prisoners):	
Convicted (sentences disapproved in 51 cases)	4,828
Acquitted	403
Total trials by general court-martial	5,275

(Being 36 less than in the preceding year.)

The following table shows, approximately, the number of convictions of different offenses by general court-martial during the year:

Seventeenth Article of War:	
Losing accouterments	32
Losing arms	15
Losing clothing	36
Selling arms	5
Selling accouterments	4
Selling clothing	61
Spoiling horse, arms, accouterments, etc	1
Twentieth Article of War:	
Disrespect to commanding officer	57
Twenty-first Article of War:	
Disobeying superior officer	248
Offering violence to superior officer	3
Striking superior officer	13
Twenty-fourth Article of War:	
Disobeying noncommissioned officer quelling affray	12

Thirty-first Article of War:	
Lying out of camp or quarters	8
Thirty-second Article of War:	
Absent without leave	947
Thirty-third Article of War:	
Failure to attend drill, roll call, etc	347
Thirty-fourth Article of War:	
Found 1 mile from camp without leave	5
Thirty-eighth Article of War:	
Drunkenness on duty	297
Thirty-ninth Article of War:	
Leaving post	90
Sleeping on post	187
Fortieth Article of War:	
Quitting guard	102
Forty-second Article of War:	
Leaving post in face of the enemy	3
Forty-seventh Article of War:	
Desertion	1,111
Fifty-first Article of War:	
Advising or persuading another soldier to desert	5
Fifty-eighth Article of War:	
Assault and battery with intent to commit rape	1
Larceny	7
Manslaughter	1
Murder	1
Robbery	1
Sixtieth Article of War:	
Embezzlement	5
Larceny	56
Making false and fraudulent vouchers	4
Purchasing Government property	1
Selling Government property	9
Wrongful disposition of property	6
Sixty-first Article of War:	
Conduct unbecoming an officer and a gentleman	1
Sixty-second Article of War:	
Absence without leave not chargeable under the Thirty-second Article of War	112
Abandoning equipments	7
Abandoning horse	1
Abusing noncommissioned officer	6
Abusing public animal	7
Adultery	1
Aiding and abetting desertion	1
Aiding and abetting larceny	7
Aiding and abetting robbery	7
Aiding prisoner to escape	5
Allowing prisoner to escape	52
Arson	9
Assault	60
Assault and battery	31
Assault upon commissioned officer	4
Assault upon noncommissioned officer in performance of duty	66
Assault upon sentry	7
Assault with dangerous or deadly weapon	24
Assault with intent to do bodily harm	43
Assault with intent to kill	27
Attempt at burglary	1
Attempt at larceny	5
Attempt at robbery	1
Attempt to commit sodomy	3
Attempt to commit suicide	2
Attempt to desert	2
Attempt to disarm sentinel	2
Attempt to escape from guardhouse or confinement	6
Breach of arrest	158

Sixty-second Article of War—Continued.

Breach of trust	4
Burglary	11
Careless handling of loaded firearms	19
Carrying concealed weapons	5
Committing a nuisance	17
Conduct causing arrest by civil authorities	4
Conspiracy	5
Creating an alarm in camp	2
Creating a disturbance	16
Damaging public property	4
Defrauding private parties	2
Destroying private property	14
Destroying public property	4
Discharging firearms without cause, endangering life	10
Disobedience of standing orders or regulations	207
Disobeying commissioned officer	99
Disobeying noncommissioned officer	360
Disarming sentinel	6
Disobeying sentinel	14
Disgraceful conduct; indecent, infamous, and unnatural practices	6
Disorderly conduct	101
Disposing of clothing	3
Disrespect to noncommissioned officer	97
Disrespect to sentinel	3
Disrespect to superior officer	62
Drunk and disorderly	269
Drunkenness	175
Drunkenness, etc., causing arrest by civil authorities	3
Drunkenness incapacitating for duty	21
Drunk on duty	46
Embezzlement	21
Escaping from guard or sentinel	6
Escaping from guardhouse	8
Evasion of duty	5
Failure to send correspondence through official channels	2
False accusation	1
False statement or report	101
False swearing	5
Falsifying accounts	1
Fighting	4
Firing on civilians without cause	3
Forcing an entrance into private dwelling	15
Forgery	8
Fraud	25
Fraudulent enlistment	124
Gambling	5
Giving liquor to prisoners	1
Harrassing, annoying, and looting natives and citizens	10
Having possession of intoxicating liquor	10
Impersonating an officer, sentinel, or patrol	1
Indecent conduct	5
Indecent exposure of person	2
Insubordinate conduct toward commissioned officer	52
Insubordinate conduct toward noncommissioned officer	102
Interfering with noncommissioned officer in performance of his duty	5
Interfering with sentinel	4
Introducing liquor into camp, quarters, etc	41
Larceny	363
Leaving post	11
Leaving post and abandoning rifle	3
Leaving ranks without permission	3
Leaving hospital without permission	6
Losing arms, accouterments, etc., by allowing them to be captured	2
Making indecent proposals	2
Malingering	7
Manslaughter	6
Misappropriating and wrongfully disposing of public property	10

Sixty-second Article of War—Continued.	
Misappropriating exchange funds	1
Mutinous conduct	3
Neglect of duty	172
Obtaining money or property under false pretenses	11
Out of quarters after taps	12
Pawning borrowed property	2
Pawning Government property	5
Perjury	7
Permitting member of guard or prisoner to obtain intoxicating liquor	23
Rape	3
Receiving and disposing of stolen property	7
Refusing to perform duty	28
Refusing to submit to surgical operation	5
Removing rifle or pistol without authority	6
Resisting arrest	63
Resisting arrest by civil authority	4
Resisting being disarmed	1
Resisting noncommissioned officer	22
Resisting sentinel	4
Robbery	25
Selling company property	1
Selling, losing, or wasting Government property	27
Selling or pawning stolen property	8
Sleeping while on duty	10
Sitting down while on post	14
Sodomy	1
Striking noncommissioned officer	47
Striking sentinel	4
Threatening civilian	11
Threatening noncommissioned officer	42
Threatening to kill	31
Threatening sentinel	3
Threatening soldier	4
Threatening superior officer	4
Threatening to do bodily harm	17
Trading in stolen goods	3
Using insubordinate language	78
Using insulting and abusive language	152
Using profane and indecent language	116
Using threatening and abusive language	97
Uttering forged paper	2
Wasting food	2
Disorder, etc., charged as "conduct to the prejudice of good order and military discipline" (not included under previous heads)	215

Five officers and 3 cadets were dismissed by sentence; and in 3 cases of officers sentences of dismissal were commuted to loss of files.

The number of men sentenced to dishonorable discharge was 2,700.

The following table shows, approximately, the convictions of desertion, classified according to the limits of punishment prescribed in the order of the President published in General Orders, No. 42, Headquarters of the Army, 1901:

	Number.	Limit of confinement.
		Months.
Surrendered:		
After an absence of not more than thirty days	112	12
After an absence of more than thirty days	168	18
Apprehended:		
In service not more than six months at time of desertion	432	18
In service more than six months	399	30
Total number of convictions	1,111	.....
Average limit of confinement	.....	21.70+

In connection with this table it is to be observed that the limits of punishment are prescribed for "time of peace" only. The average period of confinement adjudged was considerably less than the average limit for the offenses under the President's order.

The records of military commissions received at this office during the year covered by this report show that 72 persons were tried, being 648 less than in the preceding year. Of this number 62 were convicted and 10 were acquitted. In 20 cases the sentences were disapproved. The large decrease in the number of trials by military commission is due to the fact that during the year a condition of peace was proclaimed as existing in the Philippine Islands. The following table shows, approximately, the offenses:

Aiding and abetting public enemy	3
Assault and battery	2
Assault and battery with intent to kill	1
Attempt to murder	1
Conspiracy against the United States	1
Corruption in office	1
Dealing in slaves	1
Deserting from the American Army and entering the service of the enemy	1
Engaging in insurrection against the United States	1
Kidnaping	10
Manslaughter	3
Murder	17
Rape	1
Robbery	6
Violation of the laws and usages of war	2
Violating oath of allegiance	3

Death sentences were imposed by military commissions in about 14 cases (nearly all natives of the Philippine Islands), on conviction of the more serious crimes named in the list, and the sentences were executed in about 10 cases. In the remaining cases the sentences were commuted to imprisonment for a term of years.

Upon the recommendation of the Department the Eighty-third Article of War, which defines the jurisdiction of the several inferior courts in respect to their power to punish, was amended by the act of March 2, 1901 (31 Stats., 951), in such a way as to permit those tribunals to impose sentences of three months' forfeiture of pay or three months' confinement at hard labor, or both, at the discretion of the court. The operation of this enactment has been to simplify the administration of military justice and to make it unnecessary to refer a considerable number of cases to general courts-martial for trial, which, prior to the adoption of the amendment, were exclusively triable by such tribunals. In this respect it has continued to justify the expectations which were entertained as to its necessity and propriety when the matter was presented to Congress.

Attention is invited to the extracts from reports of judge-advocate of departments appended to this report.

In closing this report it gives me great pleasure to recognize the efficient assistance which I have received from the officers of the Department in their different fields of endeavor, and from the employees, both permanent and temporary, who are attached to the Judge-Advocate-General's Office. Their labors have been zealous and untiring, and the services rendered by them have been entirely satisfactory.

Very repectfully,

GEO. B. DAVIS,
Judge-Advocate-General.

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REPORT OF THE QUARTERMASTER-GENERAL.

OFFICE OF THE QUARTERMASTER-GENERAL,
Washington, D. C., October 28, 1903.

SIR: I have the honor to submit the annual report of the operations of the Quartermaster's Department for the fiscal year ended June 30, 1903.

FINANCIAL STATEMENT.

By acts of Congress approved June 28 and 30, 1902, and March 3, 1903, there was appropriated for the regular service of the Quartermaster's Department for the fiscal year ended June 30, 1903, the sum of		$42,414,494.00
During the fiscal year there was deposited to the credit of appropriations 1903, amounts received from sales to officers, etc		2,521,921.16
Making a total of		44,936,415.16
Of this there was remitted to disbursing officers	$29,891,271.28	
There was paid out on account of settlements made at Treasury of claims and accounts	219,458.00	
		30,110,729.28
Leaving a balance on July 1, 1903, available for payment of outstanding obligations incurred or fulfillment of contracts properly entered into within the fiscal year of		14,825,685.88
On July 1, 1902, there was on hand from the regular appropriations for the service of the Quartermaster's Department pertaining to the fiscal year ended June 30, 1902, the sum of		27,629,881.09
And from appropriations pertaining to previous fiscal years the sum of		17,915,004.99
And from appropriations for special and indefinite purposes, certified claims, etc		1,704,213.78
Making a total balance on hand of these appropriations of		47,249,099.86
For specific purposes there was appropriated during the fiscal year ended June 30, 1903	$7,155,532.96	
During the year there was deposited and transferred to credit of appropriations, other than those of 1903, as shown above, including the sum of $234,543.03 for Pacific railroads for years 1900 and prior years, 1901, 1902, and 1903, and also the sum of $362.50 for transportation of volunteers, war with Spain	3,665,278.81	
		10,820,811.77
Making a total on hand from these appropriations of		58,069,911.63
Of said amounts there was remitted to disbursing officers the sum of	$7,439,056.67	
There was paid out on account of Treasury settlements	1,335,604.95	
There was carried to the surplus fund	17,995,262.67	
		26,769,924.29
Leaving a balance on hand July 1, 1903		31,299,987.34

RECAPITULATION.

Remitted to officers and paid out on Treasury settlements from appropriations for the regular service of the Quartermaster's Department for the fiscal year ended June 30, 1903	30,110,729.28
From appropriations previous fiscal years, and from indefinite and special appropriations	8,774,661.62
Total	38,885,390.90

Balance remaining in Treasury July 1, 1903, of appropriations for the regular service of the Quartermaster's Department for the fiscal year ended June 30, 1903	$14,825,685.88
And of appropriations for previous fiscal years, and for indefinite and special appropriations	31,299,987.34
Total	46,125,673.22

By act of March 2, 1903, making appropriations for support of the Army for the fiscal year 1904, there was made immediately available $2,000,000 "Barracks and quarters," and $25,000 "Equipment of officers' schools, military posts," which were designated by the Treasury as 1903 and 1904 appropriations. Of the former there was remitted to officers prior to June 30, 1903, the sum of $26,934, on which date there remained a balance in the Treasury of those two appropriations of $1,998,066.

Of the $200,000 appropriated by act of May 13, 1902, for "Relief of citizens of the French West Indies," there has been charged against the same on the books of this Office during the fiscal year 1903 the sum of $48,893.70.

Of the $50,000,000 appropriated by act of March 9, 1898, for "National defense," there has been charged against the same on the books of this Office during the fiscal year 1903 the sum of $15.22.

I relinquished the duties of chief quartermaster, Division of the Philippines, late in March, and assumed duty as Quartermaster-General on June 1, 1903, so that the great bulk of the operations herein reported upon were under the direction of my predecessor, Maj. Gen. M. I. Ludington.

The fiscal year ended June 30, 1903, while not so active as the four preceding years, was yet a very busy one. Troops who had served their tours of duty in the Tropics were transferred to the United States and others sent out to replace them, and the duty of furnishing rail and water transportation devolved upon and was performed by the Quartermaster's Department; a vast amount of construction work has been undertaken and is under way; new military posts have been established, and several old posts reconstructed and modernized; the important work of effecting the change in the uniform of the Army has progressed with all possible dispatch; the innumerable classes of stores and supplies requisite for the use of the Army, which it is the duty of this Department to furnish, were provided wherever called for; a greatly increased amount of current reading matter was furnished the enlisted men; our national cemeteries have been cared for, and 15,866 marble headstones were provided by the Department to mark the resting places of those who, before they dropped off the muster roll, served their country in the ranks.

CLOTHING AND EQUIPAGE.

The sum of $4,720,116.98 was available during the past fiscal year for use in providing clothing and equipage supplies for the Army and militia. Of this amount, $3,066,583.29 were remitted to officers of the Department for the purchase and manufacture of clothing and equipage and requisition for $7,180.86 issued on settlements made by the Treasury on account of claims, leaving a balance of $1,646,352.83 in the Treasury on June 30, 1903, nearly all of which will be drawn upon to defray such outstanding indebtedness as was incurred prior to the close of the fiscal year.

There were issued during the year to the mititia of the States, Territories, and District of Columbia various classes of supplies to the amount of $338,711.20.

THE NEW UNIFORM.

A board of officers was convened by the Secretary of War under the provisions of paragraph 14, Special Orders, No. 52, War Department, March 3, 1902, "for the purpose of considering the whole subject of the uniform and equipment of officers and men generally." The proceedings of this board, as modified by the Secretary of War, were published to the Army in General Orders, No. 81, Headquarters of the Army, 1902. Said order was subsequently amended by General Orders, No. 132, of same series, directing that the uniform changes would take effect July 1, 1903, by which date all officers were to uniform and equip themselves as provided in said orders. Officers serving in the Philippine Islands and Alaska are to wear the uniform hitherto prescribed during the continuance of duty there.

Immediately upon the promulgation of General Orders, No. 81, referred to, this Office took steps to perfect standard samples of the new clothing provided for both officers and men. This work has been successfully accomplished. Colored illustrations of the various standard samples of uniforms are now in process of publication, and although delay has been encountered by reason of the magnitude of the work and the many details connected therewith, it is expected that they will be ready for issue early next winter.

During the year a great deal of work has been done with a view of perfecting the materials entering into the olive-drab service uniforms for winter wear. A covert cloth has been decided upon as the most suitable material for the overcoats and breeches, and a serge for the service coat. The service uniform for summer wear and for the Tropics will be made of cotton khaki cloth, as heretofore.

The woolen materials decided upon being of a new and special shade, the greatest precautions have been taken to insure fastness of color. After many experiments, both in this Office and at factories, standard samples of the materials referred to have been adopted and contracts entered into for sufficient quantities for the first equipment of the Army with the new service uniforms.

The specifications for these materials provide that they shall be composed of black, white, and olive-drab wools, mixed in such proportions as to produce the shade of standard sample; the olive-drab and black to be dyed in the wool; colors to be fast and they must stand perspiration and climatic influences, such as sunlight, air, and exposure incident to the military service.

Contracts have also been made for the manufacture of the new dress-coats which will hereafter be of finer cloth, weighing 17 ounces to the linear yard, instead of 20 as heretofore. Purchases are being made of all the other articles of the new uniform, so that the department will be ready at the proper time to commence distribution to the entire Army, and ultimately to the militia of the States and Territories.

Among other things General Orders, No. 132, before referred to, provides that the issues of the new uniform shall be deferred until the present available supply of articles of the old uniform has been exhausted. In this connection it is remarked that on June 30 there

were on hand at the general depots the following quantities of clothing, representing a money value of approximately $3,000,000, which must be exhausted, viz:

31,556 helmets, untrimmed.
26,428 forage caps.
84,739 overcoats.
29,528 dress coats.
244,791 blouses, lined and unlined.
116,922 pairs trousers, kersey, mounted.
241,890 dark blue shirts.
220,932 pairs khaki trousers.
232,530 pairs leggings.
33,121 pairs buckskin gauntlets.

How best to accomplish the introduction of the new uniform has required much study, it being necessary to carefully consider—

First. How to arrange so as to leave the least amount of the old for final condemnation and sale.

Second. How to accomplish the change from the old to the new uniform and avoid having uniforms mixed in the same command.

It is evident that the desired results can be best obtained by taking up one organization at a time and completely uniforming it under the new order, and thus let the change throughout the Army be gradual and the time of its final accomplishment be determined by the supplies to be issued. Thus the number of organizations to wear the old uniform will be constantly diminished and the best opportunity offered thereby for exhausting the old stock to the fullest extent practicable.

Aside from the question of minimizing the loss to the Government by exhausting supplies on hand is the problem of changing the uniform from the old to the new with the least expense to the enlisted men. Requests from organizations and parts of organizations now fully equipped with the old are being received for issue of the new uniform. To comply with these requests would entail much loss upon the enlisted men who are provided with the old clothing, as it would hardly be desired to have some members of an organization in the one and some in the other uniform. To keep the loss down to the minimum it has been decided that issues of the new uniform shall commence with organizations returning from the Philippine Islands, as after a tour of service in those islands the commands have practically no articles of woolen uniforms in their possession, and the prospect of three or four years' service in the United States justifies their equipment throughout with the new uniform.

Under existing orders the Artillery Corps and engineer troops serving in the United States wear the old full-dress uniform. This will be continued until the stock on hand is exhausted, except in the cases of battalions or companies returning from the Philippines.

SIZES OF CLOTHING AND SHOES.

Consideration has been given to the matter of establishing such an assortment of sizes in the new dress coats and trousers, overcoats, and service uniforms as will insure securing a proper fit, as far as can be without making clothing to individual measurements, and eliminate complaints on this score. The dress and service coats and trousers and breeches will hereafter be of 18 sizes and the overcoats of 10 sizes, similar to those which can be obtained in any large clothing house. Experiments made with a full assortment of the new sizes have demon-

strated that, if care is taken to select and issue the correct sizes in every individual case, the alterations of clothing will be unnecessary except in very few instances. Future manufactures of shoes will conform to trade widths and sizes.

KHAKI MATERIAL OF LIGHTER WEIGHT.

Believing that the 7½-ounce material used in the cotton khaki clothing, while about the right weight for trousers, is too heavy and uncomfortable for coats when worn in tropical climate, this office ordered the purchase of 5,000 yards of 6¼-ounce material. This will be made up into garments and sent to the Philippines to ascertain whether this weight will prove more satisfactory than the heavier khaki.

LEGGINGS, NEW PATTERN.

The principal complaints regarding canvas leggings supplied by the department to enlisted men have been, (1) the objection found by mounted men to side lacings; (2) the leather strap at instep; (3) the flare of the canvas in front with consequent tendency to collect dirt. For the purpose of overcoming these defects this department selected and purchased 500 pairs of a legging the parts of which, upon being joined, closely conform to the contour of the leg, which is laced in front and made without a bottom strap. These were distributed for trial at Washington Barracks, D. C.; Fort Meyer, Va., and Governors Island, New York Harbor. From reports thus far received it is learned that the new leggings are more satisfactory, neater in appearance, cooler, and less binding on the ankle than the old leggings. It is probable that decision will be reached to adopt the legging now on trial.

METHOD OF ENFORCING TIME LIMITS UNDER CONTRACTS FOR CLOTHING AND EQUIPAGE.

Experience has shown that it is very difficult to enforce the time limit of contracts even under the most improved form of bond, therefore, during the past year the department adopted a clause which is now included in all contracts for clothing and equipage supplies, which provides that for all supplies not delivered in conformity with the contract requirements on or before the dates agreed upon, but subsequently delivered and accepted, the prices to be paid shall be the remainder after deducting from prices paid for the supplies delivered within the time limit one-tenth of 1 per cent for each day of the first thirty days' delay, and one-fifth of 1 per cent for each day thereafter. This reduction in price does not apply where delays are caused by strikes, riots, fires, floods, or other unavoidable disaster, or delays while in transit or in deliveries by transportation companies, or caused by the inspections of the department. The good results from this clause are already apparent.

DISINFECTING CLOTHING.

Having in view the danger of the conveyance of disease by uniform clothing from operatives employed in its manufacture, this Office ordered the installation at the Philadelphia and Jeffersonville depots of disinfecting plants, consisting of formaldehyde generators for the fumigation, in a special room set aside for that purpose, of all clothing received before same is packed for issue. It is intended to have a similar plant installed at Manila, it being considered that it will materially aid in preventing infection.

INSPECTING CLOTHING.

Steady progress has been made in improving the methods of inspection of clothing and equipage purchased and manufactured at the general depots. In this Office there are on duty an expert textile inspector and an expert shoe and leather inspector. At each of the general depots and delivering points there are experienced inspectors charged with the duty of seeing that in quality of materials and workmanship in making-up the articles furnished the Department under contract meet the standard requirements in every particular. The Quartermaster-General is glad to mention the thorough and satisfactory manner in which the inspectors have performed their duties, with the result that supplies procured have been, it is believed, fully up to standard and specification requirements.

CAVALRY AND ARTILLERY HORSES AND MEANS OF TRANSPORTATION.

The following statement shows the number and cost of public animals, wagons, and harness purchased by this Department from July 1, 1902, to June 30, 1903:

	Number.	Total cost.	Average cost each.
Cavalry horses	2,144	$278,006.15	$129.67
Artillery horses	111	17,228.00	155.20
Riding horses	14	1,475.00	105.35
Draft horses	26	5,038.00	193.77
Draft mules	366	51,384.66	140.40
Pack mules	180	22,339.75	124.11
Spring wagons, Dougherty	50	10,800.00	216.00
Wagonettes or other kinds	27	9,179.55	339.32
Trucks, 2 and 4 horse	6	1,425.00	237.50
Dump carts	35	1,670.00	42.40
Dump carts, sanitary	75	15,000.00	200.00
Express wagons	5	884.00	176.80
Water wagons, sprinkling	22	5,476.00	248.90
Spring wagons, delivery	1	120.00	120.00
Miscellaneous wagons	27	4,308.00	159.50
Sleighs	6	240.00	40.00
Single sets harness	197	6,223.20	31.59
Cart harness	166	3,876.00	23.35
Oldsmobile	1	735.00	735.00
Ambulances	51	11,586.18	227.18
Water carts, sprinkling, etc	4	369.00	92.25
Total		447,363.49	

Total cost of army ranges, ovens, typewriters, and office safes amounted to $137,114.17.

Forage and straw were purchased and shipped to the Philippines, Cuba, and Porto Rico as follows, viz:

	Pounds.
Philippines:	
Hay	23,204,000
Oats	27,398,000
Cuba:	
Hay	330,740
Oats	280,815
Bran	12,500
Straw	53,840
Porto Rico:	
Hay	1,689,305
Oats	1,926,740
Bran	150,900
Straw	303,156
Corn	13,170

In the same period various kinds of native forage were purchased in the Philippines, Cuba, and Porto Rico:

	Pounds.
Philippines:	
Native forage	22,951,874
Cuba:	
Green grass	120,395
Native hay	18,900
Porto Rico:	
Green grass	228,000
Native hay	36,000

Condemned animals have been sold as follows:

Kind.	Number.	Amount received.	Average price each.
Cavalry horses	758	$29,805.60	$39.32
Artillery horses	220	10,627.60	48.31
Draft horses	43	1,699.50	39.52
Mules	176	10,924.92	62.07

During the year there were 4,150 horses and 1,806 mules lost, died, or stolen, etc. Of these 3,177 horses and 1,328 mules were destroyed or died in the Philippines, the most common complaints being glanders and surra.

There remained on hand at the close of the fiscal year 1903, 17,195 horses and 7,146 mules.

TRANSPORTATION.

The following statement shows that during the fiscal year ended June 30, 1903, transportation was furnished, exclusive of army transport service, for 1,007,862 persons, 5,640 animals, and 220,209 tons of material:

	Railroad.	Water.	Wagon.	Stage.	Government vessels.[a]	Total.
Passengers:						
Officers	4,648	476		76	57,474	62,674
Men	82,854	10,453	49	842	850,990	945,188
Total	87,502	10,929	49	918	908,464	1,007,862
Animals:						
Horses	3,204	924			239	4,367
Mules	1,023	240			10	1,273
Total	4,227	1,164			249	5,640
Stores:						
Subsistence.....tons	19,353	5,539	4,066		3,670	32,628
Quartermasters'.....do	30,212	24,547	21,358		8,098	84,215
Ordnance.....do	25,523	3,083	1,437		3,789	33,832
Medical.....do	1,320	297	757	1	107	2,482
Signal.....do	998	1,953	44		606	3,601
Miscellaneous.....do	16,376	1,178	34,761	1	11,135	63,451
Total	93,782	36,597	62,423	2	27,405	220,209

[a] This includes all passengers carried on Government ferryboats plying between military posts and adjacent cities.

CHANGE OF STATION ALLOWANCE OF BAGGAGE.

The authorized change of station allowance of baggage as provided by regulations being considered very much less than it should be, in

view of the great change in conditions existing when that allowance was fixed upon and at present, before the close of the fiscal year this Office took into consideration this question, and it was decided to recommend that as officers' personal and movable property which must be taken from station to station amounted to a great deal more at this day than formerly, and as railroad rates had been reduced from time to time until now several times the authorized allowance could be transported at a cost no greater than what it did cost to transport that allowance when it was fixed, officers' authorized change of station allowance of baggage be trebled, the field allowance increased, and a baggage allowance established for officers ordered on duty in connection with maneuvers, rifle contests, and other duty involving a temporary change of station.

In this connection and at the same time consideration was given the fact that while a threefold baggage allowance had been established for officers ordered on foreign duty, this was of no advantage unless an officer desired to have that entire allowance shipped to his foreign station, something not desired one case in a hundred, as household furniture used in the States is not suitable for use in the Tropics, and it is possible to obtain the class of furnishings desirable for that climate at very reasonable prices; it was readily concluded as only fair that an officer ordered to foreign duty should be granted the privilege of having such of his allowance as he does not take with him shipped to his home or any point he may designate for storage, and from such point to his new station when he returns to the States. The taking up of this matter naturally brought to mind the requirement of regulations that an officer whose station was changed should have had his horse or horses at his old station in order to be entitled to transportation for them at Government expense to the new station. This Office was of opinion that whenever an officer desired to have the number of horses for which he is allowed forage shipped from some intermediate point between his old and new station, such shipment should be made by the Department, provided, of course, the cost would not be greater than to make shipment from the old station. Decision was reached to recommend amendments in the regulations to cover both of these matters as well as the increase in baggage allowance.

Since the close of the fiscal year these much-desired changes in regulations have been ordered.

HARBOR VESSELS DISPOSED OF AND ACQUIRED.

During the fiscal year the tugs *General Myres*, stationed at Boston, Mass., and the *Reynolds*, at Fort Dade, Fla., and the launch *Woodruff*, at Fort Morgan, Ala., were condemned and sold, as no longer serviceable and not worth cost of repairs, and the towboat *Captain Worden* and barkentine *June A. Falkenberg*, stationed in Alaska, were sold, as no longer required.

The two standard steel boats for harbor service, contracted for during the fiscal year 1902, were completed and accepted by the Department from the contractors and named *Henry Wilson* and *Spriggs Carroll*. The former cost $55,151.35, and the latter $55,193.34. Both of these vessels have been in commission for some time.

The steamer *Major Guy Howard*, constructed of wood, at Portland, Oreg., at a cost of $23,000, which is similar in design to the *Henry*

Wilson and *Sprigg Carroll*, was completed and accepted last March and is stationed at Fort Stevens, Oreg., for use in supplying posts at the mouth of the Columbia River.

To meet the needs of the service at Seattle, Wash., and the posts in Puget Sound, the Department purchased in June, 1903, the steamer *Lotus*, which has been renamed *Cartwright*, and is stationed at Seattle and operated on triweekly service between that city and Forts Flagler, Worden, and Casey.

It having been demonstrated that to best safeguard the public interests in the vicinity of Skagway, Alaska, there should be stationed there a vessel sufficiently large to transport a company of troops between points of the Alaskan coast in that locality, in the month of June the Department purchased the steamer *Flossie* at a cost of $14,000. This vessel has been renamed the *Peterson* and is stationed a Haines Mission, Alaska.

Two 45-foot steam launches, contracted for during the fiscal year 1902, at a cost of $5,570 each, were completed and accepted in October, 1902. They were named *Lancaster* and *Mansfield* and the former sent to Fort St. Philip, La., and the latter to Fort Mansfield, R. I., for service.

An electric launch, for use of the School of Submarine Defense, Fort Totten, N. Y., was purchased during the year at a cost of $2,400.

VESSELS UNDER CONSTRUCTION.

At the close of the fiscal year there were under construction two standard harbor service steamers, to cost $52,500 each, the intention being to station one at Fort Trumbull, Conn., for service in connection with posts in the New London artillery district, and the other in New York Harbor for supplying posts in and around that harbor; a 45-foot steam launch, to cost $5,750, to be named *Captain Page*, and used between Forts Morgan and Gaines, Ala.; two 130-foot standard steamers, one being built on the Atlantic coast, to cost $88,000, and one on the Pacific coast, to cost $110,000, the former for the joint use of the Signal Corps and Quartermaster's Department in the vicinity of New York, the latter for service in San Francisco Harbor.

The School of Submarine Defense having requested the construction of a certain type of boat for use in connection with the course of instruction at that school, and also at artillery posts on the seaboard, this Office entered into consultation with the torpedo board of the school and prepared plans and specifications for four boats, the construction of which, at a cost of $122,000 each, is now in progress.

ARMY TRANSPORT SERVICE.

There were semimonthly sailings of the transports between San Francisco and the Philippine Islands until October, 1902, when orders were given to reduce the sailings to one transport each month. At present a transport is scheduled to sail from San Francisco on the 1st and from Manila on the 16th of each month. There are extra sailings when the interests of the service require them.

WORK OF THE TRANSPORT SERVICE.

The following is a list of the army transports which have sailed from San Francisco to the island possessions during the fiscal year, showing the number of passengers carried by each, viz:

Name of transport.	Left San Francisco—	Officers.	Soldiers.	Civilians.	Total.
Kilpatrick	July 1,1902	19	355	43	417
Sherman	July 16,1902	17	83	60	160
Logan	Aug. 1,1902	8	43	35	86
Sumner	Aug. 16,1902	16	385	42	443
Sheridan	Sept. 1,1902	20	61	64	145
Crook	Sept. 16,1902	16	20	45	81
Thomas	Oct. 1,1902	27	61	55	143
Logan	Nov. 1,1902	40	57	116	213
Sherman	Dec. 1,1902	24	90	129	243
Sheridan	Jan. 1,1903	19	109	89	217
Thomas	Jan. 31,1903	43	1,193	84	1,320
Kilpatrick	Feb. 28,1903	41	799	20	860
Logan	do	36	330	109	475
Sheridan	Apr. 1,1903	61	1,019	77	1,157
Sumner	Apr. 20,1903	8	21	81	110
Thomas	May 1,1903	67	1,195	51	1,313
Logan	June 1,1903	70	1,041	73	1,184
Total		532	6,862	1,173	8,567

There were also carried on these transports 363,958 packages of freight, making 33,820 tons measurement, 12,022 pieces of baggage, 1 horse, 437,098 pounds of mail matter, and $8,916,000 in money.

The following is a list of the army transports sailing from the Philippine Islands during the fiscal year, showing the date of their arrival in San Francisco and the number of passengers carried, viz:

Name of transport.	Arrived at San Francisco—	Officers.	Soldiers.	Civilians.	Total.
Logan	July 8,1902	52	1,234	87	1,373
Sheridan	July 19,1902	68	1,438	74	1,580
Sumner	July 22,1902	29	622	61	712
Thomas	Aug. 1,1902	57	1,578	69	1,704
Lawton	Aug. 12,1902	29	615	22	666
Crook	Aug. 13,1902	31	624	40	695
Relief	Aug. 14,1902	16	18	63	97
Buford	Sept. 6,1902	35	892	56	983
Meade	Sept. 11,1902	34	880	41	955
Kilpatrick	Sept. 14,1902	35	660	103	798
Sherman	Oct. 8,1902	41	263	144	448
Logan	Oct. 13,1902	42	997	103	1,142
Sheridan	Oct. 31,1902	38	962	105	1,105
Sumner	Nov. 10,1902	8	5	31	44
Crook	Nov. 28,1902	30	480	75	585
Thomas	Dec. 22,1902	22	1,162	132	1,316
Logan	Jan. 13,1903	37	1,658	140	1,835
Sheridan	Mar. 3,1903	29	1,257	136	1,422
Thomas	Apr. 3,1903	33	1,047	124	1,204
Logan	Apr. 28,1903	51	1,436	96	1,583
Sherman	May 20,1903	17	280	148	445
Sheridan	June 6,1903	83	1,121	47	1,251
Total		817	19,229	1,897	21,943

There were also transported on the above-mentioned transports from the Philippine Islands to San Francisco 329 remains of officers, soldiers, and civilian employees; 61,045 packages of freight, making 11,350 tons measurement; 25,397 pieces of baggage, and 94,653 pounds of mail matter.

At the beginning of the fiscal year the large freight transport *Dix* was on a voyage from Seattle to Manila with a load of forage. She returned to the United States in the fall of 1902 and before the end of

the year made two more trips to the Philippines, her cargo on the first voyage consisting of 3,430,600 feet of lumber, 993 tons of oats, and a quantity of iron and miscellaneous freight; on the second voyage she carried 3,900,156 feet of lumber, 600 tons of hay, 3 passengers, and 5 horses.

On July 8, 1902, the transport *Warren* was dispatched from Seattle to Fort Davis and St. Michael, Alaska, with 12 officers, 344 enlisted men, 30 civilians, and 1,714 tons of supplies. On the return voyage, arriving at Seattle August 5, 1902, the *Warren* carried 8 officers and 356 enlisted men, making a total of 750 passengers transported between Seattle and Alaska.

The transport *Seward*, which had been operated as a dispatch boat in Alaskan waters, was fitted up at Seattle, Wash., as a refrigerating ship for service in the Philippines, where she arrived September 25, 1902, and has since been employed distributing supplies to the different islands in the archipelago. The cost of converting the *Seward* into a refrigerating ship and making all necessary repairs to her was $65,071.71.

Only one transport made the trip between the Philippines and New York during the fiscal year. The *McClellan* sailed from Manila October 1, 1902, with 15 officers, 2 enlisted men, 31 civilians, 1,439 tons of freight, and 242 pieces of baggage, arriving in New York November 29, 1902. At the close of the year the *Kilpatrick* and *Sumner* were under orders to sail from Manila to New York via the Suez Canal route.

At the end of June the transport *Burnside*, which had been in service in the Philippines as a cable ship and interisland transport, was en route to Sitka, Alaska, for service in connection with laying the cable between the mainland of the United States and Alaska.

TRANSPORTS TO STOP AT HONOLULU.

During the year only five transports stopped at the port of Honolulu en route between the States and Manila. I am in favor of making Honolulu a regular port of call for all transports going to and returning from the Philippines for the reasons: (1) That that route is seldom stormy and is the one taken by all commercial liners, and in the event of a mishap to any transport she would be on a route where there would be probability of her being promptly sighted and given relief, whereas the route taken by transports which do not stop at Honolulu is often very cold and rough and is little frequented by other vessels, most of the transports making the voyage from port to port without passing a ship of any kind. The danger of this route in the event of a transport becoming disabled at sea is obvious. (2) The cable which now connects Honolulu, Guam, and the Midway Islands with the mainland enables this office to receive reports en route from vessels traveling via Honolulu and Guam. (3) If vessels go by way of Honolulu, the department will be able to give the business of purchases of fuel and supplies and of making such running repairs as may be necessary to this American port. In June I stated my views on this subject to the Secretary of War, who approved the recommendation that Honolulu be made a regular port of call for the ships of the Pacific fleet, and during the next fiscal year this will be done, provided it is found that a suitable quality of coal can be obtained by the transports at Honolulu at a reasonable price.

Nagasaki, Japan, should continue to be a port of call for the transports returning from Manila, as it has been for the past several years. Last year the price per ton for coal delivered to transports at Manila was $5.38, while it cost but $3.70 per ton at Nagasaki. Because of this difference only sufficient coal was taken at Manila to carry the ships to Nagasaki. In addition to this saving the fact that the Department receives cable reports from Nagasaki of the arrival and sailing of the transports and their condition is an advantage. Moreover, by going by way of Nagasaki the Department is enabled to afford transportation to officers and enlisted men who obtain leave of absence in the Division of the Philippines, and to whom a trip in Japan is of immense benefit after service in the enervating Philippine climate. This they could not otherwise afford.

SUMMARY OF WORK OF THE TRANSPORTS.

The following is a recapitulation of the work done by the trans-oceanic transports during the fiscal year:

Passengers:	
From the United States to the Philippines	8,570
From the United States to Honolulu, Hawaii	14
From the United States to Alaska	386
From the Philippines to the United States	21,991
From Honolulu to the United States	25
From Alaska to the United States	364
Total	31,350
Freight:	Tons.
From the United States to the Philippines	53,718
From the United States to Alaska	1,714
From the Philippines to the United States	12,789
Total	68,221

In addition to the above, 329 remains of officers, enlisted men, and civilian employees were brought home, and there were transported between the States and the Philippines 37,661 pieces of baggage, 531,751 pounds of mail, $8,916,000 in United States currency and coin, and 6 horses.

* * * * * * *

DIVISION OF THE PHILIPPINES.

At this writing the annual report of the chief quartermaster, Division of the Philippines, for the year ended June 30, 1903, has not been received. As stated hereinbefore, upon retiring from that office I submitted to the commanding general of the division, under date of March 31, 1903, a report of the operations of the Quartermaster's Department in the archipelago from the beginning of the fiscal year to, approximately, March 20, the date of my relief. Under the circumstances, therefore, it is not possible to include in this report data pertaining to the Philippines to the close of the year except as regards the transport service, data as to which has been obtained from the annual report of the officer immediately in charge of that service at Manila, which report was received at this office some weeks ago.

At the present time the principal duties devolving on the Quartermaster's Department in the Philippines are in the direction of providing comfortable and sanitary quarters for officers and enlisted men, in seeing to it that they receive promptly and regularly the articles of

the ration and sales stores, in providing them with adequate clothing and camp and garrison equipage, and in arranging so that paymasters may be able to reach them with regularity.

The very important problem of furnishing the soldiers on duty in the islands with fresh beef and other perishables has been solved by the Quartermaster's Department in a way that it is believed will be satisfactory to all concerned. The refrigerator transports *Seward* and *Wright* are both actively engaged in work. Supplementing these, ice boxes have been placed on a number of commercial vessels (something they never had before) and on all the chartered transports. Until better arrangements can be made, refrigerators have been constructed at the quartermaster's shops in Manila and sent to several stations. At some posts cold storage has been provided by building insulated chambers connected with the ice machines formerly belonging to the Medical Department, but recently transferred to the Quartermaster's Department. Plans for the construction of permanent cold storage, using the surplus refrigerating power of these machines, were prepared and submitted to the division commander before I left Manila.

The next most important matter engaging the attention of this department in the Philippines is the construction of permanent barracks and quarters for troops. For this purpose the sum of $1,500,000 was appropriated by Congress in the army appropriation bill of last year, and this sum has been supplemented by an appropriation of $250,000 in the deficiency act approved March 3, 1903, and $500,000 in the army appropriation act for the current fiscal year.

FORT WILLIAM M'KINLEY.

In the urgency deficiency act approved February 14, 1902, $500,000 was appropriated for the establishment of a military post in the vicinity of Manila, and the sundry civil act approved March 3, 1903, appropriated $1,000,000 additional for continuing this work. Under General Orders, No. 112, Headquarters of the Army, Adjutant-General's Office, October 28, 1902, this post was named Fort William McKinley. At the end of the fiscal year land had been purchased for this post at a cost of $54,675, and $41,723.68 had been expended in clearing and grading, construction of roads, bridges, wharf, and buildings as far as advanced at that time. Lumber and other materials for the construction of this post have been purchased in the United States and shipped to Manila from San Francisco, Cal.; Portland, Oreg.; Seattle and Takoma, Wash., and New York City. The total quantity of lumber ordered purchased has been 7,630,360 feet, and the total cost of all materials for which contracts were awarded in the United States up to June 30, 1903, was $235,616.95.

The construction of Fort William McKinley is progressing as rapidly as practicable.

IN GENERAL.

The work of the Quartermaster's Department in the Philippine Islands during the greater part of the fiscal year is detailed in my report as chief quartermaster of the division, rendered March 31, 1903, hereinbefore mentioned, to which report anyone interested is referred. In general it may be stated that while the year was dull so far as military operations were concerned, it was active in settling affairs left over from the insurrection and in making provisions for the comfort and well-being of the troops in the islands. As was to be expected, many articles of supply which were not furnished troops in field service are

now required because of their being moved into permanent posts. On the whole there was no noticeable lessening in the work of the department.

In my annual report for 1902 I strongly urged the classification, under civil service rules, of the worthy employees of the department serving in the Philippines, and it is very gratifying to know that steps have been taken which insures this being done within the next few months. Many of the civilian employees serving in the Philippines have had from three to five years foreign service. Their duties in most cases have been exceedingly arduous and they have worked early and late, knowing neither office hours, Sundays, nor holidays, and they deserve relief from tropical service. Except in the few cases where such employees were included in the regular classified service, return to the United States meant loss of employment. In my opinion a system of transfers should be inaugurated whereby clerks and other employees who have served at foreign stations for a stated period, say three years, shall be relieved by employees sent from stations in the States whose positions could be filled by those returning to the United States, and those thus sent to the islands in turn to be relieved at the expiration of a similar period. I am glad to know that this matter is now receiving the consideration of the War Department and the United States Civil Service Commission.

QUARTERMASTER-GENERAL'S OFFICE.

The total authorized force of this Office June 30, 1903, was 207, not a sufficient number to keep up to date the present work of the office. Steps were taken before the end of the year looking to the decentralization in some measure of the business methods of the Quartermaster's Department. It is only necessary for me to state that during the year there were received in this office 149,431 pieces of mail, and mailed from here 122,062 letters, indorsements, etc., to show that a great deal is acted upon in this office that could well be left in the hands of the authorities of the several military departments and divisions. Early in June this office took steps to bring about the decentralization so much desired. It was considered (1) that chief quartermasters of the various military departments and divisions should have authority to award contracts for supplies required in their respective departments immediately upon the opening of bids, said contracts to be approved by the commanding general without first referring bids to this office for award or sending contracts here for approval. Before the publication of this report this change had been effected. (2) Authority should be given chief quartermasters, under the direction of department commanders, to make expenditures in their respective departments, not to exceed $200 in any one case, without first obtaining authority from this office, such expenditures of course to be reported. Since the close of the year, but prior to the date of this report, this office recommended the granting of this authority, and hopes it soon will be, as there is no doubt that it would be the means of greatly expediting and facilitating business. (3) Chief quartermasters, with approval of department commanders, should be allowed to make requisitions for regulation supplies required at posts in their departments direct on the quartermaster's depot, within or nearest the geographical limits of their departments.

The inauguration of the foregoing will result in a very considerable reduction in the work required in the Quartermaster-General's Office.

I believe that there is a smaller percentage of clerks receiving the pay of the higher grades in this Office than in any other bureau. With the single exception of the chief clerk the highest pay is $1,800 per annum, and of the 207 employees there are only 11 clerks receiving $1,800, and only 9 receiving $1,600. It can readily be seen what little opportunity for promotion live, energetic, and efficient clerks have. Good work deserves good compensation, and the best service is to be expected from clerks who can look forward to receiving reward in the way of promotion. While the force is not large enough to prevent the volume of work from sometimes falling behind, I find that there are employees in this office who often voluntarily remain at work after office hours. It has come to my attention that a number of clerks seek and many secure transfers to other departments after they have been here a sufficient length of time to become proficient in the work of and valuable employees in this office. Having in mind the best interests of the Department, I had decided to disapprove applications for transfers, but in every case it has been shown that the employees desiring the transfer had received assurance of promotion in the Department to which transfer was desired, and, on the principle that it would not be just to stand in the way of the clerk's advancement, the chances of which are so poor here, the transfers have generally been approved. There are, of course, in this as in every office, clerks whose services deserve no better pay than they are receiving, but there are many employees in this office engaged on important and technical classes of work whose salaries are much below what their valuable and efficient services merit. It is hoped that in the near future the force of the Quartermaster-General's Office may be so graded that there will be a more equitable percentage of the higher-grade salaries allowed to it.

PERSONNEL OF THE DEPARTMENT.

I have been fortunate in having had ample opportunity to observe the work of the Quartermaster's Department at large, and especially in the new possessions under conditions entirely new to our Army. Therefore it is with pleasure that I mention here that the officers of this Department are, with few exceptions, hard-working, energetic, faithful, and efficient, bringing to the discharge of their duties ability and intelligence of a high degree.

C. F. HUMPHREY,
Quartermaster-General, U. S. Army.

The SECRETARY OF WAR.

REPORT OF THE COMMISSARY-GENERAL.

WAR DEPARTMENT,
OFFICE OF THE COMMISSARY-GENERAL,
Washington, D. C., October 10, 1903.

SIR: I have the honor to submit the following report of the operations of the Subsistence Department for the fiscal year ending June 30, 1903:

RESOURCES, EXPENDITURES, AND BALANCES.

The following statement exhibits the aggregate fiscal resources and expenditures of the department and the balances at the close of the fiscal year 1903:

	Relief of citizens of the French West Indies, act approved May 13, 1902.	Subsistence of the Army, certified claims.	Subsistence of the Army, certified claims, 1902.	Subsistence of the Army, 1900 and prior years.	Subsistence of the Army, 1901.	Subsistence of the Army, 1902.	Subsistence of the Army, 1903.
Amounts in Treasury to credit of appropriations of the Subsistence Department, June 30, 1902					$2,999,274.57	$5,985,664.17	
Amount included in balances of last fiscal year, erroneously credited as a refundment to this appropriation	$4,416.44						
Amounts which were reported in last annual report as being to credit of officers of Subsistence Department and of officers doing duty in that department with the Treasurer, assistant treasurers, designated depositaries, and in their personal possession on June 30, 1902				$20,827.74	107,657.43	816,354.72	
Amount of war appropriation warrant No. 13 (in part), "for the money value of subsistence stores delivered to U. S. collier Sterling by Capt. J. T. Crabbs, quartermaster, U. S. Army, May 13, 1902, for the 'Relief of citizens of the French West Indies,'" being due appropriation "Subsistence of the Army, 1902," on settlement 25878, Auditor for the War Department, July 31, 1902	1,948.01						
Amounts appropriated for subsistence of the Army for fiscal year ending June 30, 1903:							
Act of June 30, 1902							$11,000,000.00
Deficiency act approved July 1, 1902			$2,608.94	2,647.67			
Deficiency act approved Mar. 3, 1903		$230.02					
Amounts collected from various sources and refunded to appropriations of Subsistence Department on the books of the Treasury during the fiscal year 1903				11,365.42	15,653.61	94,859.97	79,361.69
Unexpended balance "Relief of citizens of the French West Indies," inadvertently covered into appropriation "Subsistence of the Army, 1902," by certificate of deposit 1855, dated June 17, 1902, in favor of Maj. D. L. Brainard, commissary of subsistence, and transferred by settlement 26051 of Auditor for the War Department, Aug. 12, 1902	4,416.44						
Amounts charged against officers on account of funds alleged to have been lost by theft, etc., for which relief can only be obtained in the Court of Claims, under sections 1059 and 1062, Revised Statutes, or from Congress, as follows:							
Officers still in service						959.04	
Officers out of service					2,155.59		
Amounts received by officers of Subsistence Department and by officers doing duty in that department from sales of stores during fiscal year 1903 and taken up for immediate disbursement				314.47	2,975.61	149,859.73	2,641,954.59
Amounts taken up by officers doing duty in Subsistence Department on account of refundments and reclamations for stores lost, damaged, etc., in correction of errors in their accounts, etc., during above period				1.00	456.69	3,072.22	
Amount taken up by officers as gains						58.74	3,671.68
Amount taken up by officers unexplained					2,697.68	2,447.05	1,801.44
Total resources	10,780.89	230.02	2,608.94	35,156.30	3,130,871.18	7,053,275.64	13,726,788.80

EXPENDITURES.

Amounts expended on the books of the Treasury from the appropriations of the Subsistence Department during the fiscal year 1903	$1,948.01	$230.02	$2,608.94	$2,692.66	$9,590.26	$287,318.68	$247,384.99
Amounts disbursed by officers of the Subsistence Department and officers doing duty in the Subsistence Department during the fiscal year 1903				653.27	8,372.23	196,679.37	7,276,082.49
Amounts dropped by officers doing duty in the Subsistence Department, in correction of errors in their accounts during the fiscal year 1903					64.89	413.33	454.95
Amounts carried to the surplus fund on June 30, 1903 (act June 20, 1874)				11,320.43	3,105,674.01		
Dropped from amount reported in the Treasury June 30, 1902, by erroneous deposit; should have been carried to appropriation, "Relief of citizens of the French West Indies"						4,416.44	
Amount of balances unaccounted for by officers whose accounts are in process of settlement				16,009.43			
Dropped, error in entry of docket 20153, Sept. 12, 1902							71.36
Amounts charged against officers on account of funds alleged to have been stolen, etc., now dropped from this financial statement				4,480.51	2,155.59	959.04	
Total expenditures	1,948.01	230.02	2,608.94	35,156.30	3,125,836.98	489,786.86	7,523,993.79

BALANCES.

Amounts in the Treasury to the credit of the appropriation of the Subsistence Department, June 30, 1903	$8,832.88					$6,412,298.20	$5,035,495.01
Amounts to the credit of officers of the Subsistence Department and of officers doing duty in the Subsistence Department with the Treasurer, assistant treasurers, designated depositaries, and in their personal possession, per the latest accounts received to June 30, 1903					$5,034.20	92,249.68	1,110,410.75
Amounts refunded to the Treasury near close of fiscal year 1903, but not carried to the credit of the appropriations by June 30, 1903						55,975.99	56,178.66
Amounts charged against officers on account of funds alleged to have been lost by theft, etc., for which relief can only be obtained in the Court of Claims, under sections 1059 and 1062, Revised Statutes, or from Congress, as follows: Officers still in service						2,964.91	710.59
Total balances	8,832.88				5,034.20	6,563,488.78	6,202,795.01

In the expenditures above reported for the fiscal year 1903 the following items of disbursement are included: Commutation of rations to cadets at the Military Academy, West Point, $45,361.80; to enlisted men on furlough, $71,500.65; to ordnance-sergeants of posts not garrisoned, $2,701.10; to enlisted men on duty where rations could not be issued conveniently, $76,606.30; to enlisted men while traveling, $34,459.60; to enlisted men in Army and Navy Hospital, Hot Springs, Ark., $9,909.96; commutation of fresh vegetables, $5,290.95; meals for recruiting parties and recruits and troops moving, $145,692.45; liquid coffee for troops traveling, $23,095.19; salaries to civil employees of Subsistence Department at posts and stations, including wages of laborers and mechanics, fees of inspectors, and miscellaneous small employments, $293,744.91; salaries of civil employees of Subsistence Department on transports, $208,700.34; board wages of civil employees of Subsistence Department connected with the transport service while ashore, $8,761.60; extra-duty pay, $24,982.78; advertising, $3,410.73; commercial newspapers, $30.60; printing, $2,656.60; rent of telephones, $1,832.45; ice for issue to troops and for refrigerating purposes (18,579,380 pounds), $93,206.54.

The following items of disbursement were made in the fiscal year 1902, but could not be included in the report for that year by reason of the delay in receiving the accounts at this office: Commutation of rations to enlisted men on furlough, $7,673.25; to ordnance sergeants of posts not garrisoned, $84; to enlisted men on duty where rations could not be issued conveniently, $4,527; to enlisted men while traveling, $469.25; to enlisted men in Army and Navy Hospital, Hot Springs, Ark., $808; commutation of fresh vegetables, $741.96; meals for recruiting parties and recruits and troops moving, $5,133.44; liquid coffee for troops traveling, $1,640.32; salaries to civil employees of Subsistence Department at posts and stations, including wages of laborers and mechanics, fees of inspectors, and miscellaneous small employments, $2,872.65; salaries of civil employees of Subsistence Department on transports, $13,065.98; board wages of civil employees of Subsistence Department connected with the transport service while ashore, $430.75; extra duty pay, $5.87; advertising, $660.86; printing, $1,214.80; rent of telephones, $94.85; ice for issue to troops and for refrigerating purposes (4,237,012 pounds), $21,974.40.

HOSPITAL ISSUES.

The supplies purchased and issued from stock on hand during the fiscal year for enlisted men in hospital, too sick to use the army ration, amounted in value to $373,728.85.

Like issues were made in fiscal year 1902, amounting in value to $12,714.88, but not included in said report owing to the delay in the receipt of the accounts and returns at this office.

Issues of articles differing from those of the ration to enlisted men in camp in the United States, during periods of recovery from low conditions of health, consequent upon service in unhealthy regions or in debilitating climates, aggregated in value $17,779.19.

CYCLONE AND FLOOD SUFFERERS.

Upon the urgent request of the State authorities of Georgia, South Carolina, and Kansas, which were visited during June by disastrous

cyclones and floods, rations were issued to persons who were made destitute on account of these visitations, as follows:

On account of cyclone at Gainesville, Ga., rations to the value of $388.20 were issued; at New Holland, Ga., rations to the value of $309.35, and at Spartanburg, S. C., rations to the value of $485.62.

On account of floods, rations were issued at Fort Riley, Kans., to the value of $17.72; at Ogden, Kans., rations to the value of $29.82; and at Kansas City, Kans., rations to the value of $1,231.79.

VALUE OF STORES ISSUED AND TRANSFERRED TO SAILORS AND OFFICERS OF THE NAVY, 1903.

Subjoined is a statement of the value of subsistence stores issued to sailors and others, and transferred to officers of United States Navy, and of amounts of same that have been paid for:

	Value.	Collected.
Issued on transport Sheridan (1 man)	$4.75	
Issued on transport Thomas (3 men)	27.75	$27.75
Issued on transport Thomas (7 men)	71.83	
Transferred to navy paymaster on island of Guam by sundry officers of United States Army on transports, etc.	21,923.86	21,923.86
	22,028.19	21,951.61
Balance due and uncollected		76.58

Transfers have been reported as made to the navy paymasters on duty on island of Guam by the commissary at San Francisco, Cal., in April, May, and June, 1903, but as the receipts of the officers receiving the stores have not yet come to hand, claims for the stores have not yet been made on the Navy Department.

VALUE OF STORES ISSUED AND TRANSFERRED TO SAILORS AND OFFICERS OF THE NAVY IN FISCAL YEAR 1902.

For sailors of United States Navy on transport Thomas, in June, 1902		$21.00
For sailors of United States Navy on transport Warren, in May, 1902		37.50
For sailors of United States Navy on transport Warren, in June, 1902		45.00
Transfer to Paymaster Pyne, U. S. Navy, on island of Guam, in April, 1902	$2,261.43	2,261.43
Transfer to Paymaster Pyne, U. S. Navy, on island of Guam, in June, 1902	6.20	6.20
Transfer to pay inspector, United States Navy, on island of Guam, in January, 1902	7.94	7.94
	2,275.57	2,379.07

The difference between the debit and credit items is due to the fact that the debit difference was entered in the report of the fiscal year 1902.

Claims have been made on the Navy Department for the value of the stores issued and transferred as above that have not yet been paid.

VALUE OF STORES ISSUED AND TRANSFERRED TO MARINES AND OFFICERS OF MARINE CORPS.

Below is a statement of the value of subsistence stores issued to marines and transferred in bulk to officers of the Marine Corps, for issue to marines, and of amounts collected on account of same:

	Amount.	Collected.
On transport Thomas	$840.79	$825.25
On transport Sheridan	2,275.00	
On transport Sherman	7.00	
At Pollock, P. I.	3,59[illegible].83	1,418.48
At Isabela de Basilan, P. I.	6,872.27	5,252.24
At Bacoor, P. I.	4,088.12	4,088.12
At Cavite P. I.	47,827.51	31,158.99
At San Juan, P. R.	5,753.18	4,563.18
	68,885.22	46,906.17
Balance due and uncollected		21,979.05

Claims have been made on the Navy Department for such of the above sums as are still due, nearly all of which have been reported to the Auditor for the Navy Department for favorable action.

VALUE OF STORES ISSUED AND TRANSFERRED TO MARINES AND OFFICERS, MARINE CORPS, IN FISCAL YEAR 1902.

The following is a statement of the value of subsistence stores issued to and transferred for use of marines in fiscal year 1902, the evidence of which was received too late to appear in the annual report of that year, and of the amounts received in current fiscal year in settlements made:

Issued and transferred.	Value.	Collected.
For marines at—		
San Juan, P. R., in May and June, 1902		$803.70
Tacloban, P. I., in December, 1901		3.60
Cavite, P. I., in—		
February, 1902		2,060.64
March, 1902		2,306.46
April, 1902		3,719.12
May, 1902		2,973.14
Olongapo, P. I., in—		
February, 1902		2,788.00
March, 1902		1,002.82
April, 1902		1,881.52
May, 1902		915.83
Parang, P. I., in—		
November, 1901		230.91
December, 1901		192.01
Malebrigo light-house, P. I., in May, 1902		8.99
Basey, P. I., in—		
November, 1901		201.63
February, 1902	$483.51	
Balaboc, P. I., in September, 1901		143.97
Bacoor, P. I., in—		
February, 1902		527.23
February, 1902		200.52
February, 1902	22.20	22.20
March, 1902		1,313.05
April, 1902		202.02
April, 1902	115.63	115.63
May, 1902		167.34
May, 1902	15.77	15.77
May, 1902		17.08
May, 1902		47.63
June, 1902		469.31

Issued and transferred.	Value.	Collected.
For marines at—		
Pollock, P. I., in—		
August, 1901		$32.41
November, 1901		2.90
December, 1901		8.80
February, 1902		23.38
March, 1902	$70.86	70.86
March, 1902	89.49	89.49
April, 1902	34.49	34.49
April, 1902	182.66	182.66
May, 1902	125.31	125.31
June, 1902	197.48	197.48
Pambujan, P. I., in December, 1901	198.94	198.94
Balangiga, P. I., in October, 1901	2,966.00	
In the field at Quinapundan, P. I., in January, 1902	218.49	
For marines in the field at Quinapundan, P. I., in February, 1902	224.72	
For marines at—		
Isabela de Basilan, P. I., in October, 1901		983.29
Isabela de Basilan, P. I., in February, 1902		394.97
Isabela de Basilan, P. I., in March, 1902		536.94
Isabela de Basilan, P. I., in May, 1902	849.87	849.87
Isabela de Basilan, P. I., in June, 1902	728.03	728.03
Isabela de Basilan, P. I., in June, 1902	515.85	515.85
For marines—		
On transport Hancock, in March and April, 1902		1,069.25
On transport Sheridan, in April, 1902		1,086.25
On transport Sherman, in April and May, 1902		650.00
On transport Warren, in May, 1902		2,272.70
On transport Warren, in June, 1902		906.75
On island of Guam, in August, 1901		956.34
Total	7,039.30	34,247.10

The difference between the debit and credit items is due to the fact that the debit difference appeared in the annual report of fiscal year 1902.

VALUE OF ISSUES TO CONVICTS, SCOUTS, DESTITUTES, ETC.

The following is a statement of the value of subsistence stores issued to Filipino convicts, civil scouts, native scouts, destitutes, civil employees (linemen of the Signal Corps), for which no reimbursement has yet been made to the Subsistence Department from public civil funds of the Philippine Islands:

	Fiscal years—			Total value.
	1901.	1902.	1903.	
Convicts	$7,408.42	$17,247.73	$3,474.07	$28,130.22
Civil scouts		3,284.98		3,284.98
Native scouts	62,192.50	30,143.54		92,336.04
Destitutes	1,468.82	3,837.52	2,804.48	8,110.82
Civil employees (linemen of the Signal Corps)		3,296.99	5,381.32	8,678.31

Value of issues to Indians.

Apache Indians at Fort Sill, Okla	$11,055.71
Chiricahua Indian at Fort Grant, Ariz	62.01
Seminole-Negro Indian at Fort Clark, Tex	65.15
Indians in Alaska	66.69
Chippewa Indians at Fort Assinniboine, Mont	11.29

Value of issues to civil employees.

Civil employees (Quartermaster, Commissary, Ordnance, and Medical departments, and the Signal Corps)	$251,976.81

Value of miscellaneous issues.

Military prisoners at posts (general prisoners)	$87,885.03
Filipino insurgent prisoners captured and in arrest	549.30
Filipino military convicts	242.64
Destitute citizens in United States	5.09
Destitute citizens in Alaska	7.62

The following issues were made in fiscal year 1902, but not included in said report, the returns of subsistence stores being delayed in arriving in this Office:

Filipino insurgent prisoners captured and in arrest	$4,230.56

VALUE OF STORES SUPPLIED VARIOUS PARTIES AND COLLECTIONS THEREFOR.

Below are a number of miscellaneous cases where stores were reported supplied to various parties and the amounts collected in connection therewith:

	Amount.	Collected.
To Commissary Clerk G. A. Nunes, by Capt. H. P. Young, quartermaster, in July, 1902	$29.00	$29.00
To sundry parties, by Capt. H. P. Young, quartermaster, in October, 1902	85.50	
To Medical Department, by Capt. W. H. Paine, Seventh Cavalry, in July, 1902	40.53	40.53
To destitute seaman (Mathias Wagner) on transport Crook, in November, 1901	5.00	5.00
To 9 destitute seamen on transport Sheridan, in October, 1901	45.00	45.00
To paymaster's clerk and family, by Capt. R. L. Brown, quartermaster, on transport Sherman, in December, 1902	98.75	98.75
To ordnance employee, by Capt. D. W. Arnold, quartermaster, on transport Kilpatrick, in July, 1902	41.00	41.00
To Mr. George F. McDonald, by Capt. H. P. Young, quartermaster, on transport Sheridan, in September, 1902	37.50	37.50
To hospital steward and family, by Capt. J. de L. Lafitte, on transport Crook, in September, 1902	48.00	48.00
To 2 insular employees, by Capt. J. de L. Lafitte, on transport Crook, in September and October, 1902	96.00	96.00
To sundry laborers, by Capt. J. de L. Lafitte, on transport Crook, in December, 1902	74.00	74.00
To 2 civilian clerks, by Capt. Abe S. Bickham, quartermaster, on transport Logan, in November, 1902	56.66	56.66
To insular employee, by Capt. H. P. Young, quartermaster, on transport Sheridan, in January, 1903	37.50	37.50
To wife of Private Charles Dusenberry, by Capt. H. P. Young, quartermaster, on transport Sheridan, in March, 1902	40.50	
To —— (not indicated), by Capt. R. L. Brown, quartermaster, on transport Sherman, in December 1902	39.50	39.50
	774.44	648.44
Balance due and uncollected		126.00

The following miscellaneous issues and payments therefor, made in the fiscal year 1902, were received too late to appear in report of prior fiscal year:

	Value.	Collected
To school-teachers en route to Manila, P. I.	$14,196.00	$14,196.00
To Noble Carter, school-teacher		23.50
To Medical Department	23.10	23.10
Total	14,219.10	14,242.60

The collection of $23.50 in excess of the amount reported above as due is caused by that sum having been included in a debit item of $45 appearing in report of prior fiscal year, of which sum $21.50 was reported in that year as collected.

SALES OF SUBSISTENCE STORES.

The amounts received from sales of subsistence stores during the fiscal year are classified as follows:

From whom or on what account received.	Subsistence of the Army.		
	1901.	1902.	1903.
To officers	$709.85	$24,666.28	$711,206.77
To enlisted men, companies, detachments, and hospitals	2,235.36	85,096.45	1,239,260.45
To civilians	30.40	3,953.97	195,201.45
At auction		447.73	26,446.19
To Quartermaster's Department		11.69	2,271.00
To post exchange		336.76	80,706.31
To Indians			43.13
To Indian agents and employees			3,350.97
To meals on transports		7,697.39	169,991.44
To naval officers and enlisted men			80,891.88
To post bakery		4.92	296.11
To natives (Filipinos)		27,594.71	123,921.52
To post laundry			26.19
To court officers (Alaska)			451.73
To special sales		49.83	1,613.97
To United States Coast and Geodetic Survey			1,287.96
Total	2,975.61	149,859.73	2,636,967.07

The accounts containing reports of amounts received for sales of stores in the fiscal years 1901 and 1902 were not received in this office in time to appear in the annual reports of those years.

SALES ON CREDIT.

Sales on credit to officers of the Army during the fiscal year ended June 30, 1903, as shown by the accounts of that year thus far received, amount to $19,351.01, and the sums thus far reported as collected through the Pay Department and otherwise settled amount to $15,117.25, leaving the sum of $4,233.76 yet to be collected.

Of the amount due from officers in the prior fiscal year, the sum of $3,162.26 has been reported as collected.

The sales on credit to the enlisted men of the Army amount to $13,948.51; the collections by the Pay Department on muster and pay rolls and on final statements on account of credit sales amount to $13,962.89. The amount collected in excess of the debit is undoubtedly caused by collections creditable to prior years not being so reported.

Sales on credit to enlisted men of the Army during the previous fiscal year, not heretofore reported by reason of delay in receipt of accounts, amount to $353.34, and the collections through the Pay Department amount to $10,404.34, leaving still to be collected on account of credit sales in that year $3,118.88.

LOSSES OF SUPPLIES.

The value of subsistence stores lost throughout the department in the fiscal year 1903, according to returns so far received, amounted by ordinary wastage to $22,361.05; from natural causes to $351,953.03; by certificate to $4,283.59; by theft to $1,288.38; by fire to $109.84; and from miscellaneous causes to $1,719.51. The total value of subsistence property lost according to returns so far received was $3,804.31.

Of this amount property to the value of $551.16 was acted on by boards of survey, and $3,253.15 did not have the action of boards of survey.

Like losses which occurred during previous fiscal years, found in delayed returns, and consequently not included in the annual reports of those years amounted to $13.94 in the fiscal year 1899; $204.57 in 1900; $3,321.02 in 1901, and $10,738.33 in 1902.

The value of supplies lost where responsibility was fixed amounted to $10,567.61, of which there has been collected $8,121.24, leaving a balance of $2,446.37 not yet collected. Of losses in the previous fiscal year, the sum of $2,498.84 has been collected.

POST COMMISSARY SERGEANTS.

The number of post commissary sergeants in the service at the beginning of the year was 197. During the period of this report 18 were appointed, 6 were discharged, 3 were retired, 1 died, and 1 deserted, leaving 204 in the service at the end of the year.

CLAIMS.

Below is shown the number of claims on hand, received, and disposed of during the fiscal year ending June 30, 1903:

	Claims for commutation of rations—		Total.
	While held as prisoner of war in rebel States.	While on furlough, and miscellaneous claims.	
There were on hand June 30, 1902	7	10	17
Received during the fiscal year	183	248	431
Total	190	258	448
Disposed of during the year	190	258	448
On hand June 30, 1903	0	0	0

The number of letters and indorsements written during the year in connection with the above claims was 834.

ACCOUNTS AND RETURNS.

The following is a statement of accounts current and returns of subsistence stores and property on hand June 30, 1902, received and examined during the fiscal year ended June 30, 1903, and on hand at the close of that fiscal year awaiting examination:

	Accounts current.	Returns of stores.	Returns of property.	Total.
On hand June 30, 1902	673	781	409	1,863
Received during fiscal year 1903	4,805	3,540	1,574	9,919
Total	5,478	4,321	1,983	11,782
Examined during fiscal year	5,328	4,116	1,876	11,320
On hand June 30, 1903	150	205	107	462

The examination of the accounts required the verification of 111,468 vouchers; the returns of stores, 78,289 vouchers, and the returns of property, 5,365 vouchers. In connection with the examination 7,360 postal cards were used, 8,341 letters and 6,695 indorsements written and recorded, 4,060 papers copied, and 403 days of time on unclassified work consumed.

CONTRACTS.

Contracts for subsistence supplies, including meals for recruits and recruiting parties to the number of 696, were acted on and disposed of during the fiscal year.

CERTIFICATES OF SERVICE AND NONINDEBTEDNESS.

Certificates of service as acting commissary were issued to the number of 705 and certificates of nonindebtedness to the number of 829.

CLERICAL FORCE, OFFICE OF THE COMMISSARY-GENERAL.

The clerical force of this Office is efficient and deserving. It is taxed to the limit of its capacity, and there are quite a number of clerks who work habitually and voluntarily before and after office hours to keep the work of their desks current. The practice of working overtime and the continual labor under pressure are not good for the work or the worker, and it is a hardship upon those who thus cheerfully strive to do work which a larger force is necessary to carry on. Notwithstanding continual effort to introduce new methods to reduce the work, the volume continues heavy and must naturally increase as time goes on.

Last spring the very limit of reduction in the force consistent with the public interest was effected. Since then administrative scrutiny and action have been imposed on this Bureau in connection with the accounts of militia officers, under the act of January 21, 1903, and also the work incident to the settlement of disbursing officers' accounts, under the act of March 3, 1903. A comparison of the present force now with what it was just preceding the war with Spain shows that early in 1898 there were 36 employees in this Office, at an annual compensation of $42,760. The Army then was hardly 25,000. It was confined to a compact territory with no dependencies, and largely owing to territorial conditions existing then the work could be done to advantage. At present the size of the Army, the number of posts, and the work are, after repeated reductions, still nearly treble what they were during the earlier period; the territory involved now includes the United States, Porto Rico, Cuba, Alaska, Hawaii, Guam, Philippine Islands, and China, and the work can not be done to advantage.

To meet all these new developments and conditions only 32 employees in addition to the old force are allowed at present, at an annual compensation of $33,520. There has been a steady reduction in the number of employees for over two years, and it is earnestly recommended that a slight increase be authorized, consisting of 1 clerk at $1,800 for duty in charge of the accounting and examining branch—a most important and arduous position, requiring exceptional qualifications; 2 clerks at $1,200 for duty in the same branch; 2 clerks at $1,000 for duty as stenographers and typewriters (and satisfactory service can not be secured for less pay), and 1 messenger at $840. An increase of $250 in the

pay of the chief clerk is also urgently recommended. The labor and responsibility of the position fully justify and merit the slight increase, which would place the position more on an equality with other bureaus of the Executive Departments.

DEDICATORY EXERCISES OF THE LOUISIANA PURCHASE EXPOSITION.

During the time between April 27 and May 3, 1903, the Subsistence Department subsisted 3,000 officers and men at St. Louis, Mo., who were in attendance at the dedicatory exercises of the Louisiana Purchase Exposition. All arrangements were under the supervision of Lieut. Col. A. L. Smith, deputy commissary-general, who was assisted by Maj. W. H. Bean, commissary, Capt. T. B. Hacker, commissary, and Capt. W. Elliott, commissary. The whole affair was admirably conducted and successful throughout. The food and service were reported as excellent, and the experience acquired by the officers of the department is certainly valuable and will be of assistance on future occasions of this kind.

AUTUMN MANEUVERS AT FORT RILEY, KANS.

In accordance with the instructions of the Adjutant-General of the Army, dated August 16, 1902, to furnish the name of the commissary officer to be detailed on the staff of Maj. Gen. John C. Bates, U. S. Army, for the autumn maneuvers at Fort Riley, Kans., I submitted the name of Capt. H. J. Gallagher, commissary.

In his report of the Fort Riley maneuvers in October, 1902, General Bates stated:

> The chief quartermaster, Capt. C. B. Baker, the chief commissary, Capt. Hugh J. Gallagher, the chief surgeon, Lieut. Col. John Van R. Hoff, and the chief signal officer, Maj. George P. Scriven, were on the ground for some days before the beginning of the encampment and made all necessary preliminary arrangements pertaining to their respective departments in a most satisfactory manner. * * *
>
> Incoming organizations were met by a representative of the chief quartermaster and conducted to the camp site assigned, and the commanding officer furnished with a memorandum informing him as to all preparations made and as to the point from which and the manner whereby all supplies required could be obtained, both from the Quartermaster and Commissary departments. As I have said above, the manner in which these departments were conducted under Captain Baker and Captain Gallagher were very satisfactory. * * *
>
> The work in the subsistence department was well thought out, the necessary supplies reaching the troops promptly, and they were generally satisfactory.
>
> In order to accommodate the national-guard officers who attended without troops a wall tent was assigned to each, and the chief commissary procured and had erected a large mess tent capable of seating about 200 persons. With my staff I procured my meals at the same mess, and am pleased to say it was satisfactory. This mess, although under the control of a commissary officer, was in the immediate charge of a hired caterer, who did very well, but I concur in the opinion expressed in a report submitted upon the termination of the camp by the chief commissary, that hereafter the subsistence department conduct the mess for officers and visitors at headquarters without the intervention of a caterer, the quartermaster department supplying the necessary ranges, cooking utensils, and tableware, leaving to the former department to hire the steward, cooks, waiters, and supply the food. In view of the fact that even a larger number of national-guard officers will probably hereafter attend the maneuvers, if the War Department decides to hold them, the chief commissary is further of the opinion that to get the best results when an appropriation is made by Congress providing for these encampments, one item should cover the employment of cooks, stewards, and waiters. In this way officers and visitors living at headquarters can be supplied with wholesome food at reasonable rates; in fact, at the actual cost of food itself, increased by the cost of perhaps a few other minor necessaries and paying for breakages and loss of tableware.

Capt. H. J. Gallagher, commissary, chief commissary of the maneuver division, at Fort Riley, Kans., in his report of October 8, 1902, to the adjutant-general of the maneuver division, concerning the operations of the subsistence department, says:

* * * The matter was simplified very much by the proximity of Fort Riley and the establishment of the commissary depot in the post under the charge of the post commissary officer. Warehouses and all necessary to properly care for and issue stores were in this way rendered easily available. The rations were drawn from the nearest purchasing stations or brought with them by the troops. They proved to be of excellent quality throughout, and no word of complaint was heard of a serious nature. Fresh meat was furnished from a refrigerator car situated convenient to all the organizations in camp. Fresh bread was issued daily from the post bakery. On one occasion complaint was made as to the quality of the bread, but upon investigation, I found this was due to poor yeast. This was promptly remedied and no further complaints were received. This, I think, is the only complaint I received in camp regarding the rations. The beef contractor gave some trouble by endeavoring to supply meat below that required by contract. In this endeavor he did not succeed.

The messing of officers, a great many of whom came in from different States throughout the Union, proved a new venture, and in this connection I would like to submit the following recommendations, notwithstanding the fact that the mess as conducted by a caterer proved to be quite successful. If these camps are to be a permanent affair, there will always be a large number of visitors at headquarters, especially so if the National Guard are to take as prominent a part in the maneuvers as is anticipated.

I would recommend that the commissary department conduct the mess for officers and visitors without the intervention of a caterer, the quartermaster's department supplying ranges, cooking utensils, and all tableware, the commissary department to supply steward, cooks, waiters, and table linen, as well as the food. To get the best results, when appropriation is made by Congress providing for these encampments, one item should cover the employment of stewards, cooks, and waiters. In this way officers and visitors living at headquarters could be supplied with good, wholesome food at a reasonable rate; in fact, at the actual cost of the food itself, increased by the cost of laundering linen and paying for breakage of china and loss of tableware. The transport system of furnishing food is similar to this, so that this would scarcely be an innovation, excepting that in the transport system all the expenses of preparing and serving food is charged to the consumer.

Captain Cole rendered very valuable services in connection with the mess at division headquarters, and in other ways his services proved of great assistance to me. Lieut. John J. Boniface, post commissary, Fort Riley, Kans., performed the duties of depot commissary very satisfactorily. He is a keen and energetic young officer, and took active interest in his work. He was provided with commissary-sergeants and civilian laborers necessary to properly conduct his work.

The Regular Army ration was supplied the organizations of the National Guard from Kansas and Colorado, for which they paid at cost price. It seemed to have proven very satisfactory. One evening was devoted to instruction of officers of the National Guard regarding the workings of the commissary department. The instruction was given by Captain Cole in a very thorough manner. It was my intention to give practical instruction in rendering accounts and returns, but bad weather interfered to prevent it. I would suggest that this be made an important feature of all future encampments, as from my experience in the field and in the office of the Commissary-General I know that officers of the National Guard are woefully ignorant of our system of accountability for stores and money.

I am very much indebted to Major Bean, chief commissary of the department, for his prompt work in getting the supplies requested to Fort Riley.

In a supplemental report to the same officer, under date of October 22, 1902, Captain Gallagher states:

* * * In order to properly facilitate the work of the department in the handling of stores and issue of rations, it was necessary to employ civilian laborers between the dates of September 12, 1902, and October 12, 1902, the number so employed during the various portions of this period being 10, the rate of payment being $40 per month and a ration each, the total expenditure reported being $314.62, which amount covers the entire additional cost to the department in excess of the normal expenses for the support of the troops and ordinary practice marches.

SETTLEMENT OF ACCOUNTS OF DISBURSING OFFICERS.

In the act of March 3, 1903, Congress provided for the settlement of certain accounts of disbursing officers of the War Department arising between April 21, 1898, and July 8, 1901.

The provisions embodied in the act are as follows:

That the proper accounting officers of the Treasury be, and they are hereby, directed, in the settlement of the accounts of disbursing officers of the War Department arising between the twenty-first day of April, eighteen hundred and ninety-eight, from which date war with Spain is declared to have existed, and the eighth day of July, nineteen hundred and one, inclusive, the date on which the last organization of the Volunteer Army was mustered out of the service of the United States, to allow such credits for payments and for losses of funds, vouchers, and property as may be recommended under authority of the Secretary of War by the heads of the military bureaus to which such accounts respectively pertain.

That the accounts of military officers, whether of the line or staff, for Government property charged to them, shall be closed by the proper accounting officers whenever, in the judgment of the Secretary of War, it will be for the interest of the United States to do so: *Provided*, That such accounts originated subsequent to April twenty-first, eighteen hundred and ninety-eight, and prior to the ninth day of July, nineteen hundred and one: *Provided further*, That no settlement shall be made by the officers of the Treasury, under this act, of the accounts of any officer whose combined responsibility for public money and Government property shall exceed the sum of five thousand dollars, and only of such officers of the Army in whose accounts there is no apparent fraud against the United States: *And provided further*, That this act shall remain in force for two years from and after its passage, and no longer.

There are unsettled accounts of several hundred officers who performed duty in the Subsistence Department which fall within the period named above, and which are affected by the law.

The accounts are being acted upon in this office as expeditiously as circumstances will admit.

THE MILITIA.

The act of January 21, 1903, embodies an extensive scheme of legislation to promote the efficiency of the militia. The act repealed the militia law as contained in sections 1625 to 1661 of the Revised Statutes, with the single exception of the last-named section. That section, with its various modifications and amendments, continues in force and constitutes one of the vital features of the present militia law.

Before amendment section 1661 read:

The annual sum of two hundred thousand dollars is appropriated, to be paid out of any money in the Treasury not otherwise appropriated, for the purpose of providing arms and equipment for the whole body of the militia, either by purchase or manufacture, by and on account of the United States.

This section was amended and its provisions enlarged by the act of February 12, 1887, and the amount of the annual appropriation was increased to $400,000. The section was again amended by the act of August 18, 1894, wherein it is provided that the appropriation is not to lapse with the end of any fiscal year, nor to be turned into the surplus fund, but to remain a permanent appropriation and to be available until expended, as provided by the acts, or otherwise disposed of by Congress. The section was still further amended by act of June 6, 1900, which increased the annual appropriation to $1,000,000. By the act of January 21, 1903, the scope of the section in question was materially enlarged, but the annual appropriation remained at $1,000,000.

Until the passage of the last-named act the Subsistence Department was not affected by any section of the statute embodying the militia law so far as subsistence is concerned, except by sections 1650 and 1655 of the Revised Statutes, and it was not affected by any amendments to section 1661 of the Revised Statutes, as contained in the acts of February 12, August 18, and June 6, above mentioned, which only applied to the Quartermaster's and Ordnance departments; but with and from the passage of the act of January 21, 1903, section 1661 was modified and the law so extended that the Subsistence Department was also included in the scheme of legislation to promote the efficiency of the militia.

It may be noted in this connection that the act of March 1, 1889, which provides, among other features, for the subsistence of the militia of the District of Columbia, and the act of May 11, 1898, which provides for the subsistence of the Naval Militia of the District of Columbia, are special acts and apply exclusively to those bodies of militia, and do not, it is assumed, affect the general militia law so far as subsistence is concerned. This is the view of the Judge-Advocate-General of the Army (as expressed in his opinions of July 3 and August 21, 1903). The act of February 24, 1897, affected the Subsistence Department to the extent that the militia of the States and Territories were permitted to purchase subsistence supplies for cash. This act was amended by the act of March 15, 1898, which provides that the cost of all stores and supplies sold to the States and Territories is to be credited to the appropriation from which they were procured and remain available to procure like stores and supplies for the Army in lieu of those sold as aforesaid. These two acts were modified by the last part of section 17 of the act of January 21, 1903, which also required the cost of transportation to be added to all purchases of Government supplies by the militia. The act of March 2, 1903, appropriating $2,000,000 for arming and equipping the militia affected the Subsistence Department in so far that, if necessary to the proper equipment of the militia of the States and Territories, certain subsistence property (such as commissary chests, field desks, etc.) can be supplied to the militia under that act.

The only sections of the act of January 21, 1903, which specifically relate to the Subsistence Department are sections 14, 15, and 17, and, perhaps in an incidental way, sections 16 and 21.

Section 14 is as follows:

That whenever it shall appear by the report of inspections, which it shall be the duty of the Secretary of War to cause to be made at least once in each year by officers detailed by him for that purpose, that the organized militia of a State or Territory or of the District of Columbia is sufficiently armed, uniformed, and equipped for active duty in the field, the Secretary of War is authorized, on the requisition of the governor of such State or Territory, to pay to the quartermaster-general thereof, or to such other officer of the militia of said State as the said governor may designate and appoint for the purpose, so much of its allotment out of the said annual appropriation under section sixteen hundred and sixty-one of the Revised Statutes as amended as shall be necessary for the payment, subsistence, and transportation of such portion of said organized militia as shall engage in active field or camp service for instruction, and the officers and enlisted men of such militia while so engaged shall be entitled to the same pay, subsistence, and transportation or travel allowances as officers and enlisted men of corresponding grades of the Regular Army are or may hereafter be entitled by law, and the officer so designated and appointed shall be regarded as a disbursing officer of the United States, and shall render his accounts through the War Department to the proper accounting officers of the Treasury for settlement, and

he shall be required to give good and sufficient bonds to the United States, in such sums as the Secretary of War may direct, faithfully to account for the safekeeping and payment of the public moneys so entrusted to him for disbursement.

Section 15 reads:

That the Secretary of War is hereby authorized to provide for participation by any part of the organized militia of any State or Territory on the request of the governor thereof in the encampment, maneuvers, and field instruction of any part of the Regular Army at or near any military post or camp or lake or seacoast defenses of the United States. In such case the organized militia so participating shall receive the same pay, subsistence, and transportation as is provided by law for the officers and men of the Regular Army, to be paid out of the appropriation for the pay, subsistence, and transportation of the Army: *Provided*, That the command of such military post or camp and of the officers and troops of the United States there stationed shall remain with the regular commander of the post without regard to the rank of the commanding or other officers of the militia temporarily so encamped within its limits or in its vicinity.

Section 17 states:

That the annual appropriation made by section sixteen hundred and sixty-one, Revised Statutes, as amended, shall be available for the purpose of providing for issue to the organized militia any stores and supplies or publications which are supplied to the Army by any Department. Any State, Territory, or the District of Columbia may, with the approval of the Secretary of War, purchase for cash from the War Department, for the use of its militia, stores, supplies, material of war, or military publications, such as are furnished to the Army, in addition to those issued under the provisions of this act, at the price at which they are listed for issue to the Army, with the cost of transportation added, and funds received from such sales shall be credited to the appropriations to which they belong and shall not be covered into the Treasury, but shall be available until expended to replace therewith the supplies sold to the States and Territories and to the District of Columbia in the manner herein provided.

One of the objects in bringing the militia into the maneuver camps is to acquaint them not only with field and camp instruction, but also to impart a knowledge of the work of administration, a feature of which is the subsistence of the troops, which involves the receipt of funds, stores and property, and the proper disposition and accounting therefor.

It is thought that the work of the encampments should be conducted as far as practicable in conformity with the requirements of the Regular Army, so that in time of war, when the militia become a part of the United States forces, they will have a practical knowledge of papers, business methods, and requirements of the War Department, and will not have to make a study of such matters in the midst of a campaign, when inevitable confusion would result. A systematic method is very essential and will greatly facilitate the work in the Commissary-General's office.

In the system of accountability prescribed the aim has been to have as few blank forms as possible. Those authorized are prepared on light blue-tinted paper with a crescent design, having thereon the words "Militia. State of ———," printed on each form, so as to have a distinctive mark for the militia blanks and a space to enter the particular State.

The following is a list of the authorized blank forms:

1. Account current.
2. ——— ———.
3. Abstract of disbursements to accompany account current.
4. Voucher for supplies purchased on sealed proposals and acceptances.
5. Voucher for supplies purchased under written contract or open-market purchase.
6. Report of emergency purchases exceeding $200.

7. Receipt roll for commutation of rations and liquid coffee money.
8. Receipt roll for liquid coffee.
9. Receipt roll for savings purchased.
10. Voucher for services.
11. Abstract of proposals.
12. Return of subsistence stores.
13. Abstract of purchases of subsistence stores.
14. Combined invoice of and receipt for stores and property.
15. Statement of gains and wastage.
16. Abstract of issues.
17. Accounts of sales at auction.
18. Return of subsistence property.
19. Requisition for stores for issue.
20. Requisition for subsistence property.
21. Ration returns.
22. Requisition for blanks.
23. Consolidated ration return.
24. Issue slip.
25. Return of patients in hospital.
26. Statement to accompany proceedings of boards of survey.

ICE.

Until the passage of the act of March 2, 1903, provision was made in the annual appropriations for the Subsistence Department for the issue of ice to organizations of enlisted men stationed in island possessions only. Now, under the law, ice can be issued to organizations of enlisted men at such places as the Secretary of War may determine; and General Orders 111, Adjutant-General's Office, 1903, embody regulations concerning its issue under the following conditions:

Where ice can be furnished to organizations of enlisted men of the Army it may be issued by the Subsistence Department, where rations are issued in kind at not more than 2 pounds for each ration, subject to the following conditions:

The maximum allowance to any organization or detachment to be 100 pounds per day. No allowance of ice will be made to troops stationed north of the forty-third parallel of north latitude, except as provided below. To troops stationed between the thirty-seventh and forty-third parallels of north latitude and in the States of Washington, Oregon, and Idaho the allowance will be for six months only, beginning the 16th of April and ending the 15th of October. To troops stationed south of the thirty-seventh parallel of north latitude the allowance will be for the whole year. No savings or wastage will be allowed on ice. Allowance of ice will not be subject to commutation.

STORES REPLACED BY SELLERS.

Owing to reductions in garrisons in the Philippines, and through other causes, large quantities of stores accumulated in excess of the wants of the Army, and for which there was no satisfactory sale in the islands. To meet these conditions and probable losses it was deemed a provident plan to return many of the stores to the United States for issue in part at least, and where a probable market might be found for the sale of others. It was hoped by this disposition to save large losses to the Government.

Among the articles so returned were considerable quantities of baking powder, malted milk, and tobacco. These stores, which were but slightly deteriorated, were voluntarily replaced with fresh goods by the manufacturers and sellers to protect their brands and trade in the commercial world, although there was not the slightest moral obligation resting upon them to make the exchange. This incident shows the importance and advantage to the Government of dealing with responsible and reliable firms.

SUBSISTENCE FUNDS HELD IN HAND FOR READY DISBURSEMENT.

I again urgently recommend the passage of a bill by Congress to give authority to all officers intrusted with the disbursement of subsistence funds to hold restricted amounts of such funds in their personal possession. The exigencies of the public service require an open disregard of the restrictions of the existing law in cities where the treasurer or an assistant treasurer is located.

A bill which was intended to meet the necessities of the case passed the Senate March 24, 1900 (S. 2870), a copy of which is appended:

AN ACT Concerning disbursing officers of the Subsistence Department of the Army.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That officers intrusted with the disbursement of funds for the subsistence of the Army are hereby authorized to keep, at their own risk, in their personal possession for disbursement, such restricted amounts of subsistence funds for facilitating payments of small amounts to public creditors as shall from time to time be authorized by the Secretary of War.

AUTHORITY FOR DISPOSITION OF SUBSISTENCE STORES NO LONGER NEEDED.

In the last annual report of this Office the following was submitted for the consideration of the honorable the Secretary of War:

I have the honor to again urge upon the Secretary of War the need of legislation authorizing the sale at public auction of subsistence stores in good condition which may at any time accumulate in excess at any depot or point of supply, and which can not advantageously or economically be transported to other points for issue or sale to troops. The draft of a bill to accomplish the object desired heretofore submitted by this Office is, as follows:

"*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the Secretary of War may cause to be sold at public sale, under regulations to be prescribed by him, such subsistence stores in good condition, intended for issue or for sales to officers and enlisted men, as may from time to time accumulate at any subsistence depot, military post, or in the field, in excess of amounts required for use and which can not, with economy and advantage, be shipped to other subsistence depots, posts, or places for military use, the proceeds to be immediately available for general disbursement, under the appropriation for subsistence of the Army current at the time of sale for any of the objects contemplated by that appropriation."

As the proceeds of all sales of subsistence supplies are, by the act of March 3, 1875 (18 Stat. L., 410), now "exempt from being covered into the Treasury" and are made "immediately available for the purchase of fresh supplies," the above proposed legislation is in exact accord with existing law as to disposition of proceeds of authorized sales of subsistence supplies. There is no law, however, authorizing the sale to the public of subsistence supplies in bulk which are in good condition, the only legislation bearing on the subject of sales of military supplies (sec. 1236, Rev. Stat.) being general in its nature and providing only for the sale of stores which, upon proper inspection or survey, appear to be "damaged" or "unsuitable for the public service." As all public sales of subsistence supplies in good condition in bulk now taking place are being made under the guise of the stores being "unsuitable," and such an appropriation of the wording of section 1236 to cover transactions which would else be without even the color of authority of law is strained and unsatisfactory, I earnestly recommend that the above draft of law be pressed upon the attention of Congress.

As illustrating the wastefulness which is consequent upon the absence of a law authorizing the public sale of subsistence stores in good condition which in the vicissitudes of service have been left as surplus at distribution points in spite of all reasonable foresight, it may be stated that in order to avoid total loss to the Government valuable stores which had been purchased for sales to officers and enlisted men under section 1144, Revised Statutes, have been issued to enlisted men in place of equal weights of the authorized articles of the ration. A law authorizing the public sale of such stores would have served the necessity of resorting to such extravagant issues in

order to avoid a total loss. The same conditions exist in all sections where rapid removals of troops take place or where throughout extensive regions troops are withdrawn or discharged.

DIVISION OF THE PHILIPPINES.

I. GENERAL REMARKS.

A number of questions perplexed and gave concern to the Subsistence Department during the year. They were a legacy from previous years and cover the entire period of American occupation in the islands. The most difficult and vital to deal with have at all times been those which relate to the supply of fresh meat, fresh vegetables, ice, and other perishable stores, the supply of which is so essential to the health, comfort, and contentment of the troops.

The solution of the transportation problem, upon which so many others hung, greatly aided toward a successful outcome. The reduction of the military forces of the islands, and consequent reduction of posts, removal of troops from interior places, and concentration at points on the seacoast and along the railroad, thus permitting refrigerator and meat boats and commercial liners to make regular routes and schedules, all made toward a successful solution of the various problems.

Subsistence affairs are now on a settled and satisfactory basis, and much of the credit for this fortunate state of affairs is due to the untiring efforts and administrative talent of Col. Henry G. Sharpe, the chief commissary of the Division of the Philippines.

II. SOURCES OF SUPPLY.

San Francisco supplied the largest portion of the articles of the ration and many sales-stores. Chicago furnished the bulk of the salt meat and meat products, while Kansas City and Omaha were also drawn upon for packing-house products. St. Louis furnished a few articles which that market could most economically supply. New York furnished the greater portion of the articles for sales to officers and enlisted men. The policy of the Subsistence Department is to purchase in the most advantageous market, considering cost and quality and the interests of the Government, and always favors the home or local market, everything being equal. In pursuance of this policy the following articles were purchased at Manila: Fresh beef, fresh mutton, rice, potatoes, onions, teas, issue sugar, ice, matches, butter, cheese, cigars, clothes lines, ginger ale, Australian milk, Pear's toilet soap, table salt, cut-loaf sugar, granulated sugar, powdered sugar, Tansan water, toilet water, stewards' stores for transports, and exceptional articles.

III. FRESH MEATS.

This is the most essential and sought after article of the soldier's diet, and has, almost without exception, been supplied in abundance throughout the islands. The chief commissary of the Division of the Philippines says:

> During the past fiscal year, through the services of the Navy Department, the fresh-beef supply of this division was purchased in Australia and brought to this city by means of the navy supply vessels. The quality of the beef has been uniformly good. Until the last cargo the beef furnished was all in hind quarters, but

on account of the drought in Australia and the large demand made on the market as a consequence of the operations in south Africa the price of beef was considerably advanced, and it was found advantageous to purchase both fore and hind quarter meat. In accordance with instructions from the Commissary-General this office advertised, in September, 1902, for proposals for supplying fresh beef in Manila from sling at ship's side, and in consequence of the existence of the same conditions in Australia the advertisement called for fore and hind quarter meat. A satisfactory price was obtained and contract entered into for the beef supply for the fiscal year 1904. The beef will be brought from the Argentine Republic.

On the subject of fresh beef the chief commissary of the Department of Mindanao remarks:

It is incontrovertible that troops serving in these islands desire a full supply of frozen or refrigerated beef, and their prejudice against native beef, or beef cattle obtained from any source, is so marked that they often prefer the canned meats. My experience during the past year but confirms earlier convictions that the only practical, economical, and satisfactory method of supplying troops with the fresh-meat component of the ration in these islands is by bringing to Manila frozen or refrigerated beef and issuing it from local and central cold-storage plants. * * *

The chief commissary of the Department of the Visayas in dealing with the question states:

Due to the impossibility of obtaining native beef, save in limited quantity at exorbitant price (16 to 25 cents gold per pound), and the vastly superior quality of the Australian frozen beef, the department from the first began to depend wholly for its supply on Manila. The introduction in the fall of 1902 of the refrigerator steamers *Seward* and *Wright* was a long step toward the final solution of the problem, which will be as nearly as possible perfect when the ice plants with cold-storage rooms now under construction at important points are completed. Until then dependence must be placed on ice boxes, which, even with liberal supply of ice, not always obtainable, are efficacious only for a limited time. As small stations are gradually abandoned and troops concentrated, the steamers referred to make more frequent visits and comparatively few complaints of scarcity are now heard.

These steamers leave Manila alternately and at somewhat irregular intervals, each making two trips per month and touching at least once on each trip at each post with very few exceptions, these being reached by ordinary transport or commercial liner carrying large ice boxes in which the frozen beef is packed and usually reaches its destination in excellent condition. So that while the supply at some posts is somewhat irregular, all are reached at less or greater intervals and complaints are rare and losses comparatively infrequent. The records of this office show that of 634,305 pounds of frozen beef and mutton shipped from Manila to posts in this department since its establishment October 1, 1902, the total losses reported by boards of survey amount to 19,635 pounds. Five thousand and forty-seven pounds of this amount were lost on a chartered transport held in quarantine through a case of cholera on board, and the health authorities refusing to permit the removal of the beef until end of the quarantine period, when the ice in the chests had melted and the beef was thrown overboard. Other losses were due principally to inability to obtain sufficient ice for its preservation after delivery at posts, and one cargo of 1,289 pounds en route Iloilo to Camp Jossman, across the bay, on a flat-bottomed scow, which was capsized by a high sea and the beef sent to the bottom of the bay and hopelessly lost.

Beef is delivered by the refrigerator steamers, frozen solid, and its quality is unvaryingly excellent and satisfactory, no criticism or complaint in this direction having reached this office. A personal experience of nearly two years, during which I have eaten it perhaps daily—when I could get it—finds my appetite and appreciation quite as keen as on my first experience, or as ever at the best hotel or restaurant or private table in the United States.

As far as known the experience of officers and men agrees with my own, many expressions to this effect and nothing to the contrary having been heard.

The beef has ranged in price from 6.8435 to 8.1108344 cents per pound. Its comparative cheapness, facility of handling and transportation, immunity from loss or waste under ordinary circumstances, uniformly excellent quality, and vast superiority over any native beef obtainable together appear to leave little to be desired in this important and highly appreciated component of the ration.

IV. FRESH VEGETABLES.

Great quantities of fresh vegetables, consisting of potatoes and onions, have been supplied at reasonable prices but with considerable losses. Up to the present it has been necessary to transport vegetables from the United States or regions outside of the islands; but in the course of time, as the Agricultural Department and the adjutant-general of the division have already demonstrated by successful experiments, gardens can be cultivated with satisfactory results. When vegetables can be raised in sufficient quantities they can readily find a home market. The prices of the vegetables supplied under contract were 2.6 cents per pound for both potatoes and onions. Desiccated vegetables are unpalatable, disliked, and do not meet requirements.

I quote from the report of the chief commissary of the Division of the Philippines:

With the exception of one or two months during the recent warm weather, the fresh-vegetable contract has been satisfactory. During the very warm weather, owing to the fact that the potatoes were old, considerable losses have resulted. Contracts for fresh vegetables have been made for the succeeding year at slightly reduced prices to those prevailing at present.

The chief commissary of the Department of Mindanao, in speaking of the fresh-vegetable supply, says:

Until my arrival here all stations in the department except those on the north coast, were supplied with Java potatoes and onions. I stopped the supply, as they were very small and unsatisfactory in every way and there was much loss from deterioration. The potatoes and onions shipped from the depot at Manila have been very satisfactory until the last two months, during which time the losses on potatoes have been very heavy. This is due to the age of the potatoes at this season of the year, when it seems to be impossible to prevent rapid deterioration under the best of handling.

V. ICE.

The supply of ice has not in all cases been ample, while the price has been excessive. The high prices could not be avoided in the past and are hardly open to remedy now, for the reason that the cold-storage and ice plant at Manila which has the ice contract has practically no opposition in the islands. It is the only concern which can meet the demands of the department. The chief commissary of the division states:

There were purchased from the insular cold storage and ice plant 9,826,384 pounds of ice at a total cost of $49,144.76, the ice being used for issue to troops and in the preservation of subsistence stores. This ice was purchased under contract with the insular government for the present fiscal year, contract price being one-half cent per pound.

VI. OVENS.

On the subject of ovens the chief commissary of the Division of the Philippines, says:

There are many posts in the division which have no baking facilities whatever. The majority of posts having such facilities are supplied with one or more Blodgett ovens, a most unsatisfactory oven. It is recommended that permanent ovens be placed in all of the posts.

VII. EXCESS OF STORES.

Large quantities of old stores have been on hand in the Philippines for a number of years, the result of military exigencies and an effort to

provide against contingencies that could not be foreseen. The chief commissary of the Division of the Philippines, in his last annual report, in treating of the subject, says:

At the beginning of the present fiscal year there was on hand at the depot, Manila, and at depots and stations throughout the division, subsistence stores largely in excess of the requirements of the command after the material reductions in same during the preceding year, the strength of the command in July, 1901, being 49,070, and in July, 1902, 29,406. It was apparent that this surplus could not at the rate of consumption under the changed conditions be exhausted in time to prevent loss to the Government through deterioration, and some action became necessary with a view toward disposing of a part of the excess by other means than regular issues and sales to the Army. In pursuance of this object the surplus stores were submitted for the action of an inspector, and in due course offered for sale under sealed proposals to be opened August 29, September 5, 12, and 19, 1902.

This effort to dispose of the surplus stores proved unsuccessful, as did also a second effort under advertisement dated September 6, and a third under advertisement dated December 26, which latter was published in Singapore and Hongkong newspapers as well as in the Manila papers. Following this a circular advertisement was published for a public auction from day to day, beginning April 8, 1903. At the auction surplus stores for which the Government received $16,397.89 were sold.

At this writing but an insignificant portion of the old stock of surplus stores remains on hand. The progress made in the reduction of stock on hand during the fiscal year is shown by the following from the annual report of the depot commissary, Manila:

Gross weight of stores received from United States 20,956,006 pounds; gross weight of stores shipped 43,601,650 pounds, or a reduction during the fiscal year of 22,645,644 pounds gross stock on hand.

VIII. LOSSES OF SUBSISTENCE STORES.

The effect of climate, exposures of transportation, and the old age of many of the stores themselves, account for the largest portion of the losses reported; but with the greatly reduced quantities of these old stores now on hand losses will be at a minimum in the future.

The chief commissary of the division says on this subject:

The losses of subsistence stores in the Division of the Philippines by deterioration, shortage, etc., during the fiscal year are shown in the following statement:

Department of Luzon	$118,154.50
Department of Visayas	79,225.11
Department of Mindanao	38,762.76
Depot commissary, Manila	103,512.32
Sales commissary, Manila	4,624.34
Total	344,279.03

Principal items of subsistence stores deteriorated, etc., in the Division of the Philippines during the fiscal year, total value of which is included in above statement.

	Department of Luzon.	Department of the Visayas.	Department of Mindanao.	Depot commissary, Manila.	Sales commissary, Manila.	Total.
Beef cattle	$590.24		$89.60			$679.84
Meats, fresh	2,231.26	$2,719.98	1,188.85	$133.02	$85.49	6,388.60
Meats, canned	4,156.30	3,188.14	1,416.32	88.76	68.55	8,918.07
Bacon, issue	7,606.30	13,291.71	2,654.14	4,269.78	82.68	27,854.61
Flour	3,423.66	2,082.29	1,113.08	445.63	10.71	7,075.37
Hard bread			1,348.18			1,348.18
Potatoes, fresh	6,506.62	5,854.22	3,549.85	8.29	12.90	15,931.88
Onions, fresh	733.81	1,062.23	279.30	21.79	3.38	2,100.51
Vegetables, canned	4,365.53	3,234.09	651.40	10,666.34	84.44	19,001.80
Fruits, canned	8,791.23	5,007.26	2,805.01	64,433.76	663.48	81,700.74

IX. ICE PLANTS, COLD-STORAGE FACILITIES, AND REFRIGERATOR BOATS.

In commenting upon these subjects the chief commissary of the Division of the Philippines remarks:

At the present time there are ice plants in operation at 14 posts in the division. Five posts are provided with cold-storage facilities, while many other posts have ice boxes holding from one to four days' supply of fresh beef and ice.

In October, 1902, regular schedules were arranged for the inter-island transports. Eight routes were established and provision made for regular sailings. The problem of supply since that time has been a comparatively easy one, due to the certainty of sailing of transports for designated ports at regular intervals. The problem of fresh-meat supply was, until late in the fall of 1902, a very difficult one to posts throughout the division, except those in the immediate vicinity of Manila or along the line of the Manila and Dagupan Railroad, due to the lack of cold-storage facilities at posts and the impossibility of shipping to the southern posts without the aid of refrigerator boats. The transport *Seward*, a refrigerator boat, arrived in this division in October, 1902, and immediately commenced the distribution of beef. Later on the *Wright* was repaired and arranged for a refrigerator boat, and these two boats have been assigned to definite routes, making two trips each per month.

As a result practically all posts in the division, except the post of Borongan, Samar, are now being supplied with frozen beef, many being fully supplied, and to others there is shipped as large a quantity of beef as can be cared for in the ordinary ice boxes available at posts. As soon as cold-storage facilities are installed at posts sufficient to care for a month's supply for the garrison, it is believed that one refrigerator boat will be able to keep all posts in the division touched at by the transports fully supplied with beef.

X. DEPOT AND SALES COMMISSARY.

The sales commissary was consolidated with the depot commissary in the latter part of June, which resulted in a large saving to the Government in the items of rent and services.

Since July 1, 1902, warehouses Nos. 2, 3, 4, and 5, pertaining to the depot commissary, have been abandoned, effecting a saving of rent to the Government of over $43,000 a year and a reduction in expenses for services of about $36,000. In this connection Maj. W. H. Baldwin, the depot commissary at Manila, states that:

Capt. James A. Logan, jr., who had exclusive charge of moving contents of all warehouses to the south side of the Pasig River, accomplished this transfer without losing a dollar's worth of stores. A fine piece of work, and is duly commended.

He also remarks in connection with the duties and labor of the depot:

Gross weight of stores received from the United States, 20,956,006 pounds. Gross weight of stores shipped, 43,601,650 pounds. During the fiscal year there were 6,766 invoices made for stores and 285 for property.

It is recommended that not more than a six months' supply of any article be kept in stock, and as small a quantity of these supplies as the exigencies of the service will permit be kept with the troops, who have not the best storage facilities always at hand. Losses will then be reduced to a minimum.

It is a pleasure to report that all assistants have shown a great interest in their respective duties and performed them in a very satisfactory manner.

Average cost of messes on board inter-island transports exclusive of wages, steward's department.

Name.	Saloon.	Ship's officers.	Petty officers.	Sailors and firemen.	Troop.	Hospital.
Burnside	$0.916	$0.623	$0.346	$0.113	.....	.....
Custer	.525	.39	.263	.....	$0.17	.....
Ingalls	1.003	.757	.379	.255	.107	.....
Liscum	.863	.72	.189	.168	.185	$0.205
Sacramento	.60	.47	.20	.....	.21	.....
Seward	.754	.703	.184	.18	.....	.....
Wright	.98	.67	.243	.215	.165	.....

Concerning the sales depot, Capt. Douglas Settle, commissary, reports the following:

The depot is practically the grocery and butcher shop of the army, navy, and marine corps stationed in and within a radius of 15 miles of Manila, and also such civilian employees of the Army as are authorized to purchase commissary stores. It is difficult to determine the number of purchasers, owing to the numerous changes in garrisons, and the varying number of troops casually in the city; the records of the depot, however, show a monthly average of 260 ledger accounts and 3,451 cash sales, and it is estimated that the average number of monthly purchasers is approximately 4,500.

This depot also issues for the depot commissary at Manila fresh meats to approximately 5,000 persons, furnishes commissaries to 7 inter-island chartered transports, and provides the special diet for 11 hospitals.

During the year special authority to purchase supplies at cost was extended by the division commander to the German war ship *Hertha*, and under that authority stores to the value of $853.33 were sold. * * *

The quality of the stores handled with few exceptions has been very good; and notwithstanding that some of these stores have been on hand for several years the losses due to climatic and other unavoidable causes has been 6¼ per cent.

XI. POST AND REGIMENTAL COMMISSARY-SERGEANTS.

In connection with this subject, the chief commissary of the division remarks:

There are 73 post commissary-sergeants stationed on duty in the Division of the Philippines, as follows:

Stationed in Department of Luzon	33
Stationed in Department of the Visayas	9
Stationed in Department of Mindanao	18
Stationed at depot commissary, Manila	7
Stationed at sales commissary, Manila	1
Stationed on transports	3
Sick in United States	2
Total	73

There are only two posts in the division at present at which issues are made that are not provided with a post commissary-sergeant. The post commissary-sergeants as a rule have rendered excellent service throughout the division in the past year. One of them was court-martialed and discharged from the service for some irregularity. Each of the 15 regiments of infantry and cavalry on duty in the division is authorized under the law to be provided with a regimental commissary-sergeant. These regimental commissary-sergeants have in many cases performed the duty of their office at posts. In some other cases they have been detailed on other duties, necessitating the stationing in this division of more post commissary-sergeants than would otherwise be required. In view of the fact that the regimental commissary-sergeants are not selected as carefully as the post commissary-sergeants, and also the fact that under section 1142 of the Revised Statutes the Secretary of War is authorized to appoint as many post commissary-sergeants as the service may require, it is recommended that the grade of regimental commissary-sergeant be abolished, as it frequently results in having two men enlisted and paid for doing the work of one man.

XII. CIVILIANS.

The question of civilian employees is one deserving of consideration. The chief commissary of the division states:

The services rendered by the clerks have been entirely satisfactory. The temporary clerks now in the service have been on duty in this division for a considerable time and have rendered good service. They have been selected from a large number of men and many of them should be permanently retained in the service. Recommendations regarding the transfer of such to the classified civil service have been forwarded in compliance with instructions.

XIII. AUTHORIZED LIST OF SALES STORES.

Troops in the Philippine Islands are isolated and far removed from the markets and other resources of civilization, and are consequently wholly dependent upon the subsistence department for their food supply. To meet in a measure their wants a new and liberal list of sales stores was authorized by the Secretary of War last May, and was published in circular 4, office of the Commissary-General, May 5, 1903, and subsequently modified as to the item of ice.

The following is the list of articles:

I. COMPONENTS OF THE RATION.

Articles.	Varieties.	Unit of weight or measure.	Kinds or sizes of packages.
Beef	Fresh	Pound	
Mutton	do	do	
Bacon	Dry-salt cure	do	Crate, 100 pounds, net; ¾-pound can, 48 to case; 9-pound can, 8 to case.
Beef:			
Corned	Canned	Can	2-pound can, 24 to case.
Roast	do	do	Do.
Hash:			
Corned beef	do	do	Do.
Fresh roast beef	do	do	1-ration can, 24 to case.
Beef and vegetable stew	do	do	1-ration can, 24 to case; 2-ration can, 12 to case.
Fish	Dried	Pound	40-pound can, 1 to case.
	Pickled	do	5-pound can, 12 to case.
	Canned	Can	1-pound can, 48 to case.
Flour, straight	Winter	Pound	100-pound double sack; 50-pound cotton sack; in paraffin bag, outside, 6-ounce duck; 50-pound can, hermetically sealed, 1 can to case.
Hard bread	About 3 inches square	do	25-pound can, hermetically sealed, 2 to case.
Corn meal	White	do	5-pound sealed can, 12 to case.
Baking powder	Cream tartar	do	½-pound can, 24 to case.
Hops	Dried	do	⅛-pound packages, in 10-pound can, 3 to case.
Yeast	Dried or compressed	do	5-ounce can, 16 to case.
Beans:			
Dried	White, medium	do	Double sack, 100 pounds net.
Baked	Canned	Can	1-pound can, 48 to case; 3-pound, 24 to case.
Peas, dried	Split, yellow	Pound	Double sack, 100 pounds net.
Rice	Choice, No. 1	do	Do.
Hominy	Fine	do	2-pound can, 24 to case.
Potatoes	Fresh	do	Crate, 100 pounds net.
	Desiccated	do	20-pound tin, 2 to case.
Onions	Fresh	do	Crate, 100 pounds net.
	Desiccated	do	20-pound tin, 2 to case.
Tomatoes	Canned	Can	2½-pound can, 24 to case.
Prunes	Undipped, not smaller than seventies.	Pound	5-pound tin, 12 to case.
Apples	Evaporated	do	Do.
Peaches	Evaporated, unpeeled	do	Do.
Jam	Blackberry	Can	2-pound can, 24 to case.
Coffee	Roasted and ground	Pound	25-pound can, hermetically sealed, 2 to case.
Tea	Black, Oolong	do	1-pound can, 40 to case.
	Black, E. B	do	Do.
	Green, Y. H	do	Do.
	Green, Japan	do	Do.
Sugar	Extra C	do	Double sack, 100 pounds net.
Vinegar	Not less than 35 grains	Gallon	⅛ barrel, painted red.
Pickles	Cucumber, 1,200 to barrel of 32 gallons.	do	10-gallon keg, painted green.
Salt	Fine grain	Pound	50-pound sack, in wooden case.
Pepper	Black	do	¼-pound can, 25 pounds in case.
Soap	Issue	do	1-pound bar, 60 pounds in box.

I. COMPONENTS OF THE RATION—Continued.

Articles.	Varieties.	Unit of weight or measure.	Kinds or sizes of packages.
Candles	Stearic acid, sixes	Pound	40 pounds to box.
Emergency ration	Army	Can	1-ration can, 50 to case.
Candles, lantern	Stearic acid, 2⅛ by 1⅛ inches	Pound	40 pounds to box.
Matches	Safety, sixties	Box	Gross package, 5 to case.
Paper, toilet	Flat	Package	1,000 sheets to package, 100 packages to box.
Salt	Rock	Pound	50-pound sack, in wooden case.

II. OTHER ARTICLES.

Apples	Canned	Can	2½-pound can, 24 to case.
Apple butter		Crock	3-pound crock, 12 to case.
Apricots	Canned	Can	2½-pound can, 24 to case.
Asparagus	do	do	Do.
Bacon, breakfast dry-salt cure	Sliced, canned	do	1-pound can, 48 to case.
Basins, hand	Agate	Number	12-inch, 50 to box.
Beans	Stringless	Can	2-pound can, 24 to case.
Beef	Chipped	do	1-pound can, 48 to case.
Extract		Jar	4-ounce jar, 12 to case.
Blanco	Khaki	Box	8-ounce zinc box, 72 to case.
	White	do	Do.
Bluing	Powdered	do	2-ounce box, 144 to case.
Borax	do	Pound	1-pound package, 24 to case.
Brooms, whisk	Medium	Number	Medium size, 72 to case.
Brushes:			
Blacking	Polisher	do	72 to case.
Hair	Medium	do	Medium size, 11 row, solid back, 150 to case.
Nail	Bristle, stiff	do	Wood back, cased as required.
Shaving	Medium size	do	Wood handle, set rubber cement.
Tooth	Assorted	do	5-row individual cartons.
Butter	Best creamery	Pound	1-pound can, 100 to case.
Buttons	Bone, L. & S.	Number	
Collar	No hinge	do	Gold plated.
Cabbage	Canned	Can	2½-pound can, 24 to case.
Candy	3 varieties	Pound	Each piece wrapped in pure tin foil, packed in ⅛ and 1 pound cans with screw tops, 24 to case, case strapped and crated.
Can openers	Plain	Number	
Chamois skins	2 to 2½ feet square	do	
Cheese	Full cream	Pound	No filler, about 10 pounds each, 4 to box.
	Edam	Number	
Cherries	Canned	Can	2½-pound can, 24 to case.
Chocolate	Plain	Pound	1-pound package, 12 to case.
	Vanilla	do	Do.
Cigars	Three sizes	Number	1/10, 1/20, 1/40 boxes.
Cinnamon	Ground	Pound	¼-pound can, 6 pounds to case.
Clotheslines	Cotton	Foot	50-foot hank.
Clothespins	Wooden	Number	5-gross box.
Cloves	Ground	Pound	¼-pound can, 6 pounds to case.
Cocoa	Breakfast	do	½-pound tin, 6 pounds to case.
Coffee, roasted	Mocha and Java	do	5-pound can, 10 to case.
Combs	Fine, rubber	Number	
Pocket	Rubber	do	
Medium	do	do	
Corn, green	Canned	Can	2-pound can, 24 to case.
Crabs	do	do	Do.
Crackers	Ginger	Pound	1-pound sealed tin, 24 to case.
	Soda	do	Do.
	Water, thin	do	Do.
Currants	Dried	do	1-pound can, 48 to case.
Electro-silicon		Box	3-ounce box, 144 to case.
Envelopes, letter	6-inch, good	Number	Box of 250.
Extract of clams	Canned	Can	Pint can, 24 to case.
Farina	do	do	1-pound sealed can, 24 to case.
Flavoring extract	Lemon	Bottle	2-ounce bottle, 24 to case.
	Vanilla	do	Do.
Gelatin		Packet	2-ounce packet, 48 to case.

II. OTHER ARTICLES—Continued.

Articles.	Varieties.	Unit of weight or measure.	Kinds or sizes of packages.
Ginger ale	Imported	Bottle	Pint bottle, 120 to barrel.
Ginger	Ground	Pound	½-pound dredge can, 6 pounds to case.
Ham	Dry-salt cure	do	In tierces.
Deviled	Canned	Can	½-pound can, 24 to case.
Handkerchiefs, linen	Medium size and quality	Number	
Ink, black	Writing	Bottle	3-ounce bottle, 24 to case.
Ink	Indelible	do	½-ounce bottle, 12 to case.
Jam	Assorted	Can	2-pound can, 24 to case.
Jelly	Currant	do	Do.
Lard	Choicest	do	5-pound can, sealed, 12 to case.
Listerine		Bottle	14-ounce bottle, 12 to case.
Lobster	Canned	Can	1-pound can, 48 to case.
Lye	Concentrated	do	Do.
Macaroni	Medium	Pound	1-pound package, 25 in sealed can, cased.
Metal polish	Paste	Tin	3-ounce tin, 144 to case.
	Powder	Box	3-ounce box, 144 to case.
Milk:			
Condensed	Sweetened	Can	1-pound can, 48 to case.
Evaporated	Unsweetened	do	Do.
Condensed	do		
	Australian	Gallon	½-gallon can, 20 to case.
Mushrooms	Canned	Can	½ can, 50 to case.
Mustard	French	Bottle	8-ounce bottle, 12 to case.
	Ground	Pound	½-pound can, 6 pounds to case.
Needles	Nos. 3 to 9	Paper	
Nutmegs, whole	Sixty-fives to seventies	Pound	
Oatmeal, rolled	Compressed	Tin	2-pound tin, 36 to case.
Oil	Olive	Bottle	Quart bottle, 12 to case.
Olives		do	Pint bottle, 24 to case.
Oysters	Canned	Can	2-pound can, 24 to case.
Paper, letter	Good	Quire	5-quire package.
Peaches	Canned, extra quality	Can	2½-pound can, 24 to case.
Pears	do	do	Do.
Peas, green, American	Petit pois	do	2-pound can, 24 to case.
Pencils, lead, American	Black	Number	12 to carton.
Penholders	Rubber	do	
Pens, steel	Coarse, fine, stub	do	Gross boxes.
Pepper, red	Cayenne	Pound	2-ounce bottle.
Pickles, assorted	Chowchow, gherkins, mixed	Jar	Pint jars, 12 to case.
Pineapples	Canned, coreless, sliced	Can	2-pound can, 24 to case.
Pins	Pyramid	Pyramid	12 to carton.
Pipes, briar wood	Straight stem, "Bull Dog"	Number	
Plum pudding		Can	2-pound can, 12 to case.
Polish, shoe	Black and russet	Bottle or can	72 to case.
Potatoes, sweet		Can	3-pound can, 24 to case.
Preserves, assorted	Strawberry and raspberry	do	1-pound can, 24 to case.
Raisins, L. L	5-crown	Pound	2-pound sealed tin, 10 to case.
Razors		Number	Wrapped in oil paper and tin foil.
Razor strops	Reversible	do	In paper cartons.
Salt, table	Refined	Bottle	2½-pound bottle, 12 to case.
Sardines		Box	¼-box, 100 to case.
Sauce	Cranberry	Crock	3-pound crock, 12 to case.
	Tomato catsup	Bottle	Pint bottle, 24 to case.
	Worcestershire	do	½-pint bottle, 12 to case.
Sauerkraut		Gallon	10-gallon keg.
Sausage	Vienna	Can	2-pound can, 24 to case.
Shoe strings	Linen and porpoise, flat, tubular.	Pair	72 to bundle.
Shrimps	Canned	Can	1-pound can, 24 to case.
Sirup	Cane	Gallon	½-gallon can, hermetically sealed.
Soap:			
Laundry	White floating	Cake	100 to box.
Scouring	One variety	do	10-ounce cake, 72 to box.
Shaving	Barber's bar	do	6 cakes to bar, 60 bars to box.
Toilet	3 varieties	do	48 or 72 in box.
Soup	Beef, chicken, clam chowder, mock turtle.	Can	Quart can, 24 to case.
Spinach	Canned	do	2½-pound can, 24 to case.
Squash	do	do	Do.
Starch	Corn	Pound	1-pound sealed can, 40 to case.
	Laundry	do	Do.
Sugar, white	Cut loaf	do	⅓ barrel.
	Granulated	do	Double sack, 100 pounds.
	Powdered	do	30-pound paper-lined case.
Tablet, letter	Linen	Tablet	100 unruled sheets in tablet.

II. OTHER ARTICLES—Continued.

Articles.	Varieties.	Unit of weight or measure.	Kinds or sizes of packages.
Talcum powder	Toilet	Tin	Small tin, 144 to case.
Tapioca	Granulated	Can	1-pound sealed can, 24 to case.
Thread:			
Cotton	Black, khaki, and white	Spool	Nos. 36, 40, and 50.
Linen	Black and white	do	200-yard spool, Nos. 30, 35, and 40.
Silk	Black	do	100-yard spool, sizes A, B, C, and D.
Tobacco:			
Chewing	Plug	Pound	In 28-pound butt, 2 to case.
Smoking	Granulated, 1 variety	do	In 5-pound sealed tin, 25 pounds to case.
Toilet water		Bottle	Pint bottle, 12 to case.
Tongue, beef	Canned	Can	2-pound can, 24 to case.
Tooth powder	2 varieties	Box, bottle, tube.	
Towels, bath	Cotton, 24 by 42 inches	Number	12 to package.
Towels	Huckaback, 21 by 42 inches	do	Do.
Toweling	Unbleached, about 19 inches wide.	Yard	25-yard bolt.
Water, effervescent	1 variety	Bottle	Pint bottle.
Wheat, rolled		Tin	2-pound sealed tin, 24 to case.
Witch-hazel		Bottle	Pint bottle, 12 to case.

Roster of officers of the Subsistence Department and their duties on July 1, 1903.

Name and rank.	Duty and station.	Assigned to present station.
COMMISSARY-GENERAL.		
With rank of brigadier-general.		
John F. Weston	Commissary-General	Dec. 13, 1900
ASSISTANT COMMISSARIES-GENERAL.		
With rank of colonel.		
Charles A. Woodruff	Temporarily chief commissary Department of California, San Francisco, Cal.	Oct. 1, 1902
Henry G. Sharpe	Chief commissary Division of the Philippines, Manila, P. I.	Aug. 1, 1902
Frank E. Nye	Chief commissary Department of the Columbia, and purchasing commissary, Vancouver Barracks, Wash. In charge of matters connected with the subsistence department on the transports sailing from Portland or Puget Sound ports. Under orders to be relieved from duty at Vancouver Barracks and to proceed to Chicago, Ill., for duty as chief commissary Department of the Lakes, per Special Orders, No. 141, Headquarters of the Army, June 17, 1903.	Aug. 19, 1901
DEPUTY COMMISSARIES-GENERAL.		
With rank of lieutenant-colonel.		
William L. Alexander	Assistant to the Commissary-General, Washington, D. C.	June 13, 1902
Henry B. Osgood	Chief commissary, Department of Luzon, Manila, P. I	Oct. 1, 1902
Edward E. Dravo	Chief commissary, Department of the East, Governors Island, N. Y.	Oct. 17, 1900
Abiel L. Smith	Purchasing commissary, St. Louis, Mo	Sept. 17, 1901
COMMISSARIES.		
With rank of major.		
James N. Allison	Chief commissary, Department of the Visayas, Iloilo, P. I.	Oct. 5, 1902
William H. Baldwin	Purchasing and depot commissary, Manila, P. I	Feb. 25, 1903
David L. Brainard	Purchasing commissary, New York, N. Y	Sept. 1, 1900
George B. Davis	Chief commissary, Department of the Colorado, and purchasing commissary, Denver, Colo. Under orders to be relieved from duty at Denver, Colo., and to proceed to Vancouver Barracks, Wash., for duty as chief commissary, Department of the Columbia, and purchasing commissary, Vancouver Barracks, Wash., per Special Orders, 141, Headquarters Army, June 17, 1903.	Nov. 1, 1902

Roster of officers of the Subsistence Department and their duties on July 1, 1903—Continued.

Name and rank.	Duty and station.	Assigned to present station.
COMMISSARIES—continued.		
With rank of major—Cont'd.		
Barrington K. West	Relieved from duty as assistant to the Commissary-General, Washington, D. C., and directed to proceed to Denver, Colo., for duty as chief commissary, Department of the Colorado, and purchasing commissary, Denver, Colo., per Special Orders, 141, Headquarters Army, June 17, 1903. Left Washington July 1, 1903.	
Albert D. Niskern	Chief commissary Department of the Lakes, Chicago, Ill.	Jan. 31, 1902
	Purchasing commissary, Chicago, Ill	June 5, 1903
Frank F. Eastman	Assistant to depot commissary, Manila, Philippine Islands.	Apr. 5, 1903
Charles R. Krauthoff	Purchasing commissary, and subsistence superintendent, Army transport service, San Francisco, Cal., per S. O., 127, Headquarters Army, June 1, 1903. Arrived at San Francisco, June 15, 1903.	
William H. Bean	Chief commissary Department of the Missouri, and purchasing commissary, Omaha, Nebr.	Aug. 31, 1902
With rank of captain.		
William H. Hart	Assistant to the chief commissary Division of the Philippines, Manila, P. I.	Mar. 10, 1903
Alexander M. Davis	Post commissary, Fort Riley, Kans	May 1, 1903
Douglas Settle, U. S. Infantry	Sales commissary, Manila, P. I. Under orders to be relieved in the Division of the Philippines, to take effect June 28, 1903, and to proceed to the United States, per Special Orders, 98, Headquarters Army, Apr. 27, 1903.	Oct. 1, 1901
Hugh J. Gallagher	On duty with the General Staff Corps, Washington, D. C.	May 10, 1903
George W. Ruthers	Chief commissary, Department of Mindanao, Zamboanga, P. I.	Nov. 17, 1902
Harry E. Wilkins	Assistant to the Commissary-General, Washington, D. C.	June 1, 1903
William L. Geary	Assistant to purchasing commissary, San Francisco, Cal.	May 27, 1901
	Commissary of camps, Presidio of San Francisco, Cal	Aug. 31, 1901
Charles P. Stivers	Assistant to the Commissary-General, Washington, D. C.	May 16, 1903
Henry G. Cole	Assistant to purchasing commissary, New York, N. Y	June 1, 1902
Arthur M. Edwards	Assistant to depot commissary, Manila, P. I.	Oct. 21, 1901
Jacob E. Bloom	Purchasing commissary and temporarily acting quartermaster, New Orleans, La.	Mar. 12, 1903
Frank H. Lawton	Assistant to chief commissary, Department of the East, Governors Island, N. Y.	July 1, 1902
Thomas W. Darrah, U. S. Infantry.	Chief commissary Department of Dakota, and purchasing commissary, St. Paul, Minn.	Nov. 8, 1901
Thomas Franklin	Treasurer United States Military Academy and quartermaster and commissary of cadets, West Point, N. Y.	Jan. 8, 1902
Frank A. Cook	Assistant to the chief commissary, Department of the Missouri, Omaha, Nebr.	May 20, 1903
William R. Grove	Purchasing commissary, Kansas City, Mo	Sept. 1, 1902
	Acting quartermaster, Kansas City, Mo	Sept. 9, 1902
Theodore B. Hacker	Assistant to purchasing commissary, Chicago, Ill	Sept. 7, 1902
Morton J. Henry	Purchasing commissary, Boston, Mass	Mar. 14, 1902
Samuel B. Bootes	Chief commissary Department of Texas and purchasing commissary, San Antonio, Tex.	Mar. 17, 1902
	Temporarily post commissary, Fort Sam Houston, Tex	May 1, 1903
Frederic H. Pomroy	Assistant to purchasing commissary, Chicago, Ill	Jan. 10, 1903
David B. Case	Assistant to the purchasing commissary, New York, N. Y.	Mar. 24, 1902
William Elliott	Post commissary, Fort Leavenworth, Kans., per Special Orders, 83, Headquarters Army, April 9, 1903, as amended by Special Orders, 120, Headquarters Army, May 22, 1903.	
James A. Logan, jr	Assistant to the depot commissary, Manila, P. I	May 17, 1902
Julius N. Kilian	Depot commissary, Iloilo, P. I	May 31, 1902
	Assistant to chief commissary Department of the Visayas, Iloilo, P. I.	Oct. 5, 1902
Salmon F. Dutton	Under orders to return from Manila to the United States and report by telegraph to the Adjutant-General of the Army, per Special Orders, 105, Headquarters Army, May 5, 1903.	
Michael S. Murray	Post commissary, Fort Grant, Ariz	May 1, 1903
Hamilton S. Hawkins, U. S. Cavalry.	Assistant to the chief commissary Department of the Colorado, Denver, Colo.	Apr. 30, 1903

NOTE.—The names of officers detailed from the line under section 26, act of February 2, 1901, are printed in italic.

W. L. ALEXANDER,
Acting Commissary-General.

REPORT OF THE SURGEON-GENERAL.

WAR DEPARTMENT, SURGEON-GENERAL'S OFFICE,
Washington, D. C., August 19, 1903.

SIR: I have the honor to report upon the Medical Department of the Army during the fiscal year ended June 30, 1903, beginning with a statement of finances.

FINANCIAL STATEMENT, 1903.[a]

Medical and hospital department, 1903.

Transferred from medical and hospital department, 1902, by act approved June 30, 1902		$1,000,000.00
Sale to Ordnance Department, U. S. Army	$1.25	
Sales to U. S. Navy	380.53	
Sales to civil government, Philippine Islands	5,857.20	
Sales to States and Territories for use of National Guard	492.50	
Other refundments during the year (including transfer settlements by Treasury Department to adjust appropriations, $24,518.87)	24,871.23	
		31,602.71
Total to be accounted for		1,031,602.71
Disbursed during the year:		
Expenses of medical supply depots	527.49	
Medical supplies	237,128.00	
Medical attendance and medicines	9,360.91	
Medical expenses of recruiting	24,755.91	
Pay of nurses	2,195.00	
Pay of other employees	125,286.45	
Washing of hospital linen	26,880.53	
Expressage	817.63	
Notary fees	32.50	
		426,984.42
Transferred by Treasury settlements to adjust appropriations		22.02
Balances on hand June 30, 1903:		
In United States Treasury and in transit thereto	$422,178.85	
In hands of disbursing officers—		
New York City	145,592.42	
Washington, D. C.	10,944.11	
St. Louis, Mo.	13,259.18	
San Francisco, Cal.	3,579.85	
Manila, P. I.	8,559.83	
Iloilo, P. I.	100.61	
Peking, China	81.42	
Nagasaki, Japan	300.00	
		604,596.27
Total accounted for		1,031,602.71

[a] The disbursements in this statement include settlements with public creditors made by the accounting officers of the Treasury and charged by them to these appropriations.

Medical and hospital department, 1902.

Balances on hand July 1, 1902, act of March 2, 1901		$1,511,888.49
Sales to civil government, Philippine Islands	$96.84	
Other refundments during the year (including transfer settlements by Treasury Department to adjust appropriations, $22.02)	356.63	
		453.47
Total to be accounted for		1,512,341.96
Disbursed during the year:		
Expenses of medical supply depots	112.92	
Medical supplies	45,959.54	
Medical attendance and medicines	3,144.94	
Medical expenses of recruiting	3,503.08	
Pay of nurses	222.43	
Pay of other employees	4,498.44	
Washing of hospital linen	3,459.97	
Expressage	32.05	
Notary fees	8.25	
		60,941.62
Transferred by Treasury settlements to adjust appropriations		24,518.87
Transferred to medical and hospital department, 1903, by act of June 30, 1902		1,000,000.00
Balances on hand June 30, 1903:		
In United States Treasury	425,750.29	
In hands of disbursing officer, Washington, D. C.	1,131.18	
		426,881.47
Total accounted for		1,512,341.96

Medical and hospital department, 1901.

Balances on hand July 1, 1902, acts of May 26, 1900, and March 3, 1901		$222,434.75
Refundment, balance of disbursing officer's depositary account, representing the amount of outstanding checks lost in transit		194.50
Total to be accounted for		222,629.25
Disbursed during the year:		
Medical attendance and medicines	$214.50	
Medical expenses of recruiting	3.50	
Washing of hospital linen	298.66	
By Treasury settlement with owner of lost checks covering payments previously classified	194.50	
		711.16
Transferred by Treasury settlement to miscellaneous receipts to cancel erroneous deposit of proceeds of sales to the credit of this appropriation		20.95
Carried to surplus fund		221,897.14
Total accounted for		222,629.25

Medical and hospital department, 1900 and prior years.

Refunded during the year	$16.20
Carried to surplus fund	16.20

Medical and hospital department, certified claims.

Appropriated by act approved March 3, 1903	$523.62
Disbursed	523.62

Reimbursement to contract nurses.

Balance on hand July 1, 1902, act of June 6, 1900	$3,302.68
Disbursed during the year	23.70
Balance in United States Treasury June 30, 1903	3,278.98
Total accounted for	3,302.68

Report of Army Board on origin and spread of typhoid fever, 1903–4.

Appropriated by act approved March 3, 1903	$24,420.00
Balance in United States Treasury June 30, 1903	24,420.00

Artificial limbs, 1903.

Appropriated by act approved June 28, 1902	$514,000.00
Disbursed during the year	455,628.24
Balance on hand June 30, 1903	58,371.76

Artificial limbs, 1902.

Balance on hand July 1, 1902, act of March 3, 1901	$8,815.00
Disbursed during the year	3,897.83
Balance on hand June 30, 1903	4,917.17

Artificial limbs, 1901.

Balance on hand July 1, 1902, act of June 6, 1900	$10,702.81
Disbursed during the year	472.31
Carried to surplus fund	10,230.50
Total accounted for	10,702.81

Appliances for disabled soldiers, 1903.

Appropriated by act approved June 28, 1902	$2,000.00
Disbursed during the year	1,075.91
Balance on hand June 30, 1903	924.09

Appliances for disabled soldiers, 1902.

Balance on hand July 1, 1902, act of March 3, 1901	$624.65
Disbursed during the year	162.63
Balance on hand June 30, 1903	462.02

Appliances for disabled soldiers, 1901.

Balance on hand July 1, 1902, act of June 6, 1900	$482.48
Carried to surplus fund	482.48

Army Medical Museum, 1903.

Appropriated by act approved June 30, 1902	$5,000.00
Disbursed during the year	3,537.62
Balance on hand June 30, 1903	1,462.38

Army Medical Museum, 1902.

Balance on hand July 1, 1902, act of March 2, 1901	$2,161.56
Disbursed during the year	273.99
Balance on hand June 30, 1903	1,887.57

Army Medical Museum, 1901.

Balance on hand July 1, 1902, act of May 26, 1900	$560.14
Carried to surplus fund	560.14

Library, Surgeon-General's Office, 1903.

Appropriated by act approved June 30, 1902	$10,000.00
Disbursed during the year	7,798.47
Balance on hand June 30, 1903	2,201.53

Library, Surgeon-General's Office, 1902.

Balance on hand July 1, 1902, act of March 2, 1901	$2,889.43
Disbursed during the year	2,871.10
Balance on hand June 30, 1903	18.33

Library, Surgeon-General's Office, 1901.

Balance on hand July 1, 1902, act of May 26, 1900	$63.49
Disbursed during the year	4.55
Carried to surplus fund	58.94
Total accounted for	63.49

Furnishing trusses to disabled soldiers (sections 1176, 1177, and 1178, Revised Statutes, and act of March 3, 1879).

Balance on hand July 1, 1902	$1,380.43
Drawn during the year	6,343.00
Total to be accounted for	7,723.43
Disbursed during the year	6,561.12
Balance on hand June 30, 1903	1,162.31
Total accounted for	7,723.43

Relief of citizens of French West Indies (act approved May 13, 1902).

Balance on hand July 1, 1902, amount drawn by medical department	$5,000.00
Disbursed during the year	4,824.39
Repaid to appropriation and dropped from books of Surgeon-General's Office	175.61
Total accounted for	5,000.00

General summary all appropriations.

Balances on hand July 1, 1902	$1,770,305.91
Appropriated	562,286.62
Refunded	7,725.99
Total to be accounted for	2,340,318.52

Disbursed	$976,292.68
Transferred to miscellaneous receipts to cancel erroneous deposit	20.95
Carried to surplus fund	233,245.40
Dropped to close account on books of Surgeon-General's Office	175.61
Balances on hand June 30, 1903	1,130,583.88
Total accounted for	2,340,318.52

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HOSPITAL CONSTRUCTION AND REPAIR.

During the fiscal year a new modern hospital was completed at Fort Miley, Cal., and new hospitals contracted for at Fort Banks, Mass., and Fort Greble, R. I. Plans and specifications were also prepared for hospitals to be erected at Fort Rosecrans, Cal.; Fort Des Moines, Iowa; Fort Worden, Wash.; Haines Mission, Alaska; Chickamauga Park, Ga., and Fort Lincoln, N. Dak. Some of these are now in course of erection and proposals are being invited for others.

The hospitals at Fort Hancock, N. J.; Fort Hunt, Va., and Fort Dade, Fla., have been added to, and necessary minor additions and repairs made to hospitals at other military posts.

The general hospital at Fort Bayard, N. Mex., has been enlarged and improved by the following buildings, which are now under contract: Hospital-corps barracks, laboratory, quartermaster's storehouse, medical storehouse, cold-storage plant, crematory, receiving vault, morgue, addition to enlisted men's infirmary, and an addition to officers' infirmary. An electric-lighting plant is being established, the reservoir enlarged, and authority has been given to remodel the plumbing throughout the various buildings, besides for such painting and general repairs as are needed to place the buildings in a proper sanitary condition. An administration building, laundry, chapel, dining rooms, and a few minor structures are required to complete the plan of this hospital and make it a model of its kind for the treatment of tuberculosis patients.

At the general hospital, Presidio of San Francisco, Cal., many improvements have been authorized, such as an excellent operating pavilion, a dormitory, a storehouse for medical property, extensions to wards and to the morgue; also general repairs to plumbing, heating, electric wiring, pathological laboratory, ice machine, etc.

In addition to the foregoing, plans and specifications were prepared for new hospitals to be erected at Fort Flagler, Wash.; Fort Caswell, N. C.; Vancouver Barracks, Wash., and Fort Mackenzie, Wyo. Plans and specifications were also prepared for additions to the hospitals at Fort Wadsworth, N. Y.; Fort Ethan Allen, Vt., and Fort Slocum, N. Y., and proposals for these structures are now being invited in the usual manner.

New quarters for hospital stewards are in course of erection at Plattsburg Barracks, N. Y., and Fort Wadsworth, N. Y. The quarters at Fort Morgan, Ala., have been enlarged and all necessary repairs made to these buildings at the various military posts. New quarters are needed at Fort Riley, Kans.; Fort Mason, Cal.; Fort Banks, Mass.; Fort Meade, S. Dak., and Fort Robinson, Nebr.

MEDICAL OFFICERS, UNITED STATES ARMY.

By the appointment of Major Gorgas to the position of colonel, assistant surgeon-general, the total allowance of medical officers is now 322. On June 30, 1903, the number in service was 287, leaving 35 vacancies to be filled.

The following changes occurred during the fiscal year:

Appointments.—One colonel, assistant surgeon-general, to be Surgeon-General; 1 major, surgeon, to be colonel, assistant surgeon-general (special act, approved March 3, 1903), and 25 first lieutenants, assistant surgeons.

Promotions.—Two lieutenant colonels, deputy surgeons-general, to be colonels, assistant surgeons-general; 2 majors, surgeons, to be lieutenant-colonels, deputy surgeons-general; 6 captains, assistant surgeons, to be majors, surgeons; 4 assistant surgeons, first lieutenants, to be captains, assistant surgeons.

Resignations.—Four first lieutenants, assistant surgeons.

Retirements.—One brigadier-general, Surgeon-General; 1 colonel, assistant surgeon-general; 1 major, surgeon.

Died.—Two majors, surgeons; 1 captain, assistant surgeon, viz, Maj. James C. Merrill, surgeon, U. S. Army, of uremia, at Washington, D. C., October 27, 1902.

Maj. Walter Reed, surgeon, U. S. Army, of appendicitis, at Washington Barracks, D. C., November 23, 1902.

Capt. Franklin M. Kemp, assistant surgeon, U. S. Army, of heart disease, at Nueva Caceres, P. I., February 23, 1903.

Army medical boards for the examination of candidates for appointment in the Medical Corps of the Army have been in session during portions of the fiscal year in Washington, D. C., San Francisco, Cal., and Manila, P. I. The following is a summary of the work performed by each board:

Washington, D. C.:		
Number of candidates invited to appear		192
Declined to appear	16	
Failed to appear	35	
		51
Number of candidates examined		141
Approved		34
Physically disqualified		34
Withdrew		56
Rejected		17
San Francisco, Cal.:		
Number of candidates invited to appear		23
Declined to appear	1	
Failed to appear	4	
		5
Number of candidates examined		18
Approved		2
Physically disqualified		1
Withdrew		10
Rejected		5

Manila, P. I.:

Number of candidates examined	17
Approved	4
Physically disqualified	2
Withdrew	11

Of 176 candidates examined by these boards 37 were rejected as disqualified physically, 99 withdrew during the progress of the examination or were rejected on its conclusion, and 40 were found physically and professionally qualified and approved for appointment in the Medical Corps of the Army. The percentage of candidates approved by these boards has still further increased during the fiscal year ended June 30, 1903, to 22.73 per cent, while among candidates examined by the board in Washington the proportion of approved candidates has increased from 19.05 per cent to 24.11 per cent, notwithstanding the fact that the high standard of examination has been fully maintained.

It appears that the vacancies in the grade of assistant surgeon are being slowly filled, but that there is a small but steady loss by resignation of some of the most highly trained young medical officers because prospects in civil practice appear to them brighter and results less remote than in military life. In the Medical Corps, as at present constituted, in my opinion, too large a number of assistant surgeons compared with officers of higher grades is allowed. The present proportion, 3 to 1, is such that the junior medical officer must expect to serve about twenty-six years before promotion to the position of surgeon, whereas formerly, when the ratio was less than 2 to 1, he could confidently hope to be a surgeon in from seventeen to twenty years, with the rank and pay of major, a reward certainly modest enough when the high requirements of the Department are met. I can not but believe it to be necessary, if the corps is to be maintained in the highest possible state of efficiency, that all its functions should be performed by commissioned officers. While the employment of civilian physicians under contract is generally satisfactory as far as strictly professional work is concerned, the position of these gentlemen is at best anomalous and the legality of their actions in controlling men and fulfilling other necessary functions of an officer is often questioned. A medical corps not only adequate in number for the full strength of the Army at home and abroad, but which will allow for the administration of the Department in time of war when the military forces may be indefinitely increased, is much to be desired.

The proportion of officers of different rank should, in my opinion, be such that about twenty years service as an assistant surgeon would be the maximum.

The number of medical officers of superior rank should, in my judgment, be about as follows: Ten assistant surgeons-general, 18 deputy surgeons-general, and 75 surgeons. This estimate is based upon the present strength of the Army and its distribution by geographical departments, and upon the number of important posts, general hospitals, service schools, and supply depots now existing. Without increase in the total number of medical officers allowed by law the above number in the superior grades would nearly restore the former proportion of 2 assistant surgeons to 1 surgeon or higher.

THE ARMY MEDICAL SCHOOL.

The sixth session opened November 10, 1902, and closed April 14, 1903. The class consisted of 40 students, all of whom were assistant surgeons, U. S. Army, 37 having been appointed in 1902, 2 in 1901, and 1 in 1900. Six of the student officers were recently from the Philippine Islands, where they had served as contract surgeons and assistant surgeons, U. S. Army.

The personnel of the faculty during the session was as follows:

Col. Calvin De Witt, assistant surgeon-general, U. S. Army, president of the faculty and professor of military medicine.

Maj. Walter Reed, surgeon, U. S. Army, professor of clinical and sanitary microscopy and director of pathological laboratory.

Maj. Louis A. La Garde, surgeon, U. S. Army, professor of ophthalmology and skiascopy and lecturer on duties of medical officers in war and peace.

Maj. William C. Borden, surgeon, U. S. Army, professor of military surgery, demonstrator in operations on the cadaver and in surgical clinics.

Maj. Walter D. McCaw, surgeon, U. S. Army, professor of military hygiene.

Capt. Frederick P. Reynolds, assistant surgeon, U. S. Army, instructor in hospital corps drill and first aid to wounded.

Capt. Carl R. Darnall, assistant surgeon, U. S. Army, assistant professor of hygiene, instructor in sanitary chemistry, in charge of chemical laboratory, secretary of the faculty.

Upon the death of Maj. Walter Reed, November 23, 1902, First Lieut. James Carroll, assistant surgeon, U. S. Army, was detailed as professor of bacteriology and clinical microscopy, and in that capacity continued and concluded the course.

In addition to the above, Capt. Henry A. Shaw, assistant surgeon, U. S. Army, assisted the professor in military surgery in demonstrating surgical operations on the cadaver.

Capt. Frederick P. Reynolds, assistant surgeon, U. S. Army, in addition to his duties as instructor in hospital corps drill, etc., gave very valuable and systematic instructions to the class in the preparation of the various reports and records required of a medical officer.

First Lieut. James H. Ford, assistant surgeon, U. S. Army, gave seven lectures on tropical diseases.

The following additional courses were given at the invitation of the Surgeon-General, and for them the thanks of the faculty and the student officers are tendered:

Brig. Gen. George B. Davis, judge-advocate-general, U. S. Army, a course of most instructive lectures on military law and courts-martial; Robert Fletcher, M. D., F. R. C. S., assistant librarian of the library of the Surgeon-General's Office, on the formation and classification of the library of the Surgeon General's Office, its uses, and its index catalogue.

The need of instruction of the student officers in equitation being apparent, after some correspondence, Capt. John P. Wade, Second U. S. Cavalry, stationed at Fort Myer, Va., was detailed for that purpose, and on the afternoon of Saturday, January 3, 1903, at 2 o'clock the course was begun and continued from 2 to 4 p. m. every Saturday

thereafter until March 28, 1903. This course was most valuable as some of the student officers had never before been on horseback and very few were expert horsemen. Captain Wade, by his interest, patience, and kindness won the gratitude of every student who came under his instruction.

The school hours were from 9 a. m. to 12 m. and from 1 to 4 p. m., every other day being devoted to laboratory work. As the class was the largest assembled since the establishment of the school, it was necessary to divide it into two sections; in this way one section received instruction in the bacteriological laboratory, while the other was engaged in the chemical laboratory, the sections being changed during the afternoon.

On Saturdays from 9 a. m. to 12 m. instructions in first aid and hospital corps drill were given at Washington Barracks, and in the afternoon from 2 to 4 p. m. lessons in equitation in the riding hall at Fort Myer, Va.

The biological and chemical laboratories were completelyequipped with apparatus and provided with all material necessary for the thorough instruction of the students. In the early part of the session, when preliminary work in chemistry demanded the close attention of the instructor in watching over and aiding the individual students, valuable assistance was given by Dr. E. R. Hodge, chemist of the Surgeon-General's Office, whose laboratory is in the same building, and adjacent to that of the school.

In addition to the large 16-inch-plate static machine, there was placed in the X-ray room of the Army Medical Museum and Library Building, near the close of the session, a "coil machine," with different patterns of interrupters, for producing the X-rays for the instruction of the student officers. Demonstrations in the management of these machines, also in taking and developing skiagraphs, were given by Dr. W. M. Gray, of the Army Medical Museum, under direction of Major La Garde.

At the request of the Surgeon-General of the Navy, similar demonstrations were given to the student officers of the Naval Medical School. These instructions were supplemented by two lectures on the principles of the X-ray to the students of each school by Maj. W. C. Borden, surgeon, U. S. Army.

By the courtesy of the faculty of the Navy School the student officers of the Army Medical School had the privilege of hearing a lecture of Mr. Howard, of the Agricultural Department, on mosquitoes.

Meetings of the faculty were regularly held for the transaction of business, and all actions taken were immediately referred to the Surgeon-General, when necessary.

The final examinations began March 30, 1903, and continued daily (Sundays excepted) until April 7, 1903, and after consideration by the faculty the relative proficiency of the student officers and their final standing in the class were determined.

The faculty had resolved that the student officers who should attain a standing of not less than 90 per cent in their total markings were entitled to the distinction "proficient with honor." This percentage was gained by four students, including the winner of the "Alexander H. Hoff memorial gold medal," which was awarded to First Lieut. Harry L. Gilchrist, assistant surgeon, U. S. Army, the student officer

who received the highest marking at the final examination. The remaining "honor graduates" were Lieuts. S. M. De Loffre, J. W. Hanner, and E. M. Talbott. An average of 70 per cent was fixed as the minimum for graduation as "proficient," which was attained by all the class with the exception of one officer.

The closing exercises were held in the lecture hall of the U. S. National Museum, the use of which was permitted by the courtesy of the Board of Regents of the Smithsonian Institution.

The address was made by Lieut. Col. John S. Billings, deputy surgeon general, U. S. Army, retired. The certificates of graduation were given by the Hon. Elihu Root, Secretary of War, and the Hoff medal was presented to First Lieut. Harry L. Gilchrist by Brig. Gen. William H. Carter, U. S. Army, of the War College Board.

The invocation was made and the benediction pronounced by the Rev. Charles C. Pierce, chaplain, U. S. Army. The commanding officer, Maj. W. C. Black, U. S. Engineers, of the Engineer Battalion, Washington Barracks, kindly sent the band, which furnished excellent music.

The distinctive features of the course of instruction at the school are, first, the large measure of personal attention paid to the student's individual work by instructors in the laboratories and surgical demonstrators, which it is believed is not exceeded, if equalled, in any post-graduate school, and, second, the special preparation of the young assistant surgeon in his military duties as administrator, sanitarian, and officer of the Army, his responsibilities to and relations with officers of the line and staff, with enlisted men, and with the families of both, being carefully taught.

That the student officers fully appreciated the fact that their previous medical education was thus added to and completed, and that their future path of duty was made much smoother for them, is evinced by the attention and industry displayed at this last session.

The probable value of the young officer's future services may be so much better estimated after he has taken this course than before that I have now under consideration a plan by which all candidates for commission in the Medical Corps may receive this instruction as contract surgeons after examination, and by which the final recommendations for commissions shall be contingent upon their successfully passing the examinations of the school. It is believed that no additional legislation is needed to carry out this plan, which will be submitted in due time.

MEDICAL OFFICERS, VOLUNTEERS.

The provisions of the act of Congress approved February 2, 1901, allowing 50 surgeons of volunteers with rank of major and 150 assistant surgeons of volunteers with rank of captain, having expired February 1, 1903, all these medical officers were honorably discharged on or before that date. With very few exceptions their services had been most creditable, and in some cases of an exceptionally high order. Many of the volunteer medical officers acquired such a strong love for military service that, with the consent of the Secretary of War, the age limit of candidates for entrance into the Medical Corps was raised, in the case of ex-volunteers with honorable record, to include all those who were under 42 years at date of original entry into service.

Five ex-volunteer medical officers have successfully passed the examinations since February 1, 1903, and have been recommended for commission.

During the fiscal year 49 majors, surgeons of volunteers, were honorably discharged, 5 of these returning to the position of captain, assistant surgeon, U. S. Army. One major, surgeon, volunteers, was discharged on tender of resignation; 148 captains, assistant surgeons, were honorably discharged, and 2 captains, Frederick W. Cox and Frederick C. Jackson, died in service.

CONTRACT SURGEONS, U. S. ARMY.

There were 273 contract surgeons in service at the close of the fiscal year ended June 30, 1902, and during the past fiscal year contracts were made with 61 physicans, 103 annulled, and 2 terminated by death, leaving 229 in service June 30, 1903.

Very few contracts have been made except with ex-medical officers of volunteers, whose services of proved value it was desirable to retain, and by far the greater number of these are still on duty in the Philippine Islands. The net loss for the fiscal year was 44, and the number now in service will be still further reduced in the near future.

Contract Surg. Joseph J. Curry died of tuberculosis at the general hospital, Fort Bayard, N. Mex., January 21, 1903, and Contract Surg. Robert M. Enders, Sr., of nephritis, at Manila, P. I., May 24, 1903.

CONTRACT DENTAL SURGEONS.

The number of contract dental surgeons allowed by the act of Congress approved February 2, 1901, is 30. The number in service December 31, 1901, was 28. On June 30, 1902, the complement allowed by law was complete. The distribution of dental surgeons at the close of the fiscal year ending June 30, 1903, is as follows: United States, 12; Philippine Islands, 18; total, 30.

During the period January 1, 1902, to December 31, 1902, the following changes have taken place in the personnel of the corps:

Gain:	
Appointments by contract	5
Loss:	
By death	1
By annulment of contract	2
Total	3
Increase	2
Promotions	1
Total number in the service	30

Dr. Charles A. Petre, contract dental surgeon, U. S. Army, died on February 12, 1902, at Aparri, Cagayan, P. I., of pyo-nephritis and intestinal obstruction after a few days illness. One contract examining and supervising dental surgeon left the service on account of ill health, one dental surgeon was promoted to this vacancy, and one left the service to accept a second lieutenant's commission in the line.

The board for the examination of candidates for appointment as contract dental surgeons, U. S. Army, has been in session from time to

time as candidates were invited to appear for examination. The following is a summary of the work performed by the individual members of the board:

Number of candidates invited to appear for examination	26	
Declined to appear	0	
Failed to appear	1	
Number of candidates examined	25	
Result:		Per cent.
Approved	9	or 36
Physically disqualified	2	or 8
Rejected	7	or 28
Withdrew	7	or 28
Total	25	
Declined to enter into contract	1	
Number on waiting list	3	

The percentage of candidates found qualified and approved was somewhat higher than for the year ending December 31, 1901. The report of the board for that period shows that the approved candidates formed 27½ per cent of the number examined, while this report shows 36 per cent. The increase is accounted for by the fact that the candidates who appeared before the board during its sessions in Washington, D. C., were largely made up of recent graduates, while in the period covered by this report they were generally better qualified and many of them were men of from two to six years professional experience, which fact naturally gave them a decided advantage in the practical departments.

The following tabulated statistics of the number of patients treated for dental caries and other dental and oral diseases and injuries for the year —January 1, 1902, to December 31, 1902, inclusive —abundantly prove the great prevalence of such diseases among our troops and the need of dental and oral treatment. The whole number of officers (regular and volunteer), enlisted men, female nurses, and general prisoners of the Army treated during this period by dental surgeons is 16,161, or 20 per cent of the mean strength of the entire Army, while operations and treatments upon the teeth, gums, mouth, and jaws reach the large number of 49,483, an average of 3.06 operations for each person treated.

SUMMARY.

Whole number of patients treated and operations performed or treatments given.

	Regulars.	Volunteers.	Operations.
United States	6,932	8	18,971
Philippine Islands	8,102	51	28,115
Cuba and Porto Rico	1,068		2,397
Total	16,102	59	49,483

By direction of the Chief Surgeon, Division of the Philippines, March 1, 1902, dental surgeons were instructed to extend the courtesy of their services to such officers and enlisted men of the Marine Corps as might be in need of dental treatment, "for the relief of suffering only." This courtesy was also extended to naval officers and enlisted men, in some instances, by direction of the commanding officer of the

brigade, or by the chief surgeon of the department, near which they were operating. No report has been made of the number of persons so treated, except in the single instance of the dental surgeon stationed at Tacloban, Leyte.

Whole number of patients treated during the year, January 1, 1902 to December 31, 1902, inclusive.

	United States.	Philippine Islands.	Cuba.[a]	Porto Rico.	Total.
Regulars:					
Officers	691	808	63	59	1,621
Cadets	103				103
Enlisted men	6,059	7,248	539	407	14,253
Volunteers:					
Officers[b]	8	51			59
Enlisted men[c]					
Nurses:					
Army nurse corps	37	13			50
General prisoners	42	33			75
Total	6,940	8,153	602	466	16,161
Civilian attaches:					
Male	66	48	24	14	152
Female	137	19	2	2	160
Children	5				5
Total	208	67	26	16	317
Grand total	7,148	8,220	628	482	16,478

[a] Report is for January, February, March, and April, 1902, only.
[b] Medical officers only.
[c] None in service.

UNITED STATES NAVY.

	United States.	Philippine Islands.	Cuba.	Porto Rico.	Total.
Officers		4			4
Naval cadets		2			2
Enlisted men		11			11
Total		17			17

PREVALENCE OF DENTAL AND ORAL DISEASES.

The prevalence of dental caries and other dental and oral diseases among the troops, as shown by the following tabulated statistics, is very marked, and when the fact is taken into account that officers and enlisted men have been chosen for service after a rigid examination to determine their physical perfection, and that all but those in perfect health and of good physical development are rejected, it seems evident that excessive physical and mental strain predisposes the individual to dental diseases and that great care should be exercised in the examination of the teeth, a full complement of these organs in a sound condition being such important factors in maintaining the general health of the individual.

It is the general opinion of dental practitioners and pathologists that dental diseases are rapidly increasing, and that there is a marked diminution in the resistive power of the teeth against disease. For this reason measures are being taken to teach the enlisted men the

value of a proper care of the teeth and mouth, as cleanliness of the oral cavity is a very important prophylactic measure, not only for the preservation of the teeth, but for the prevention of numerous other diseases, particularly of the mouth and throat and of the digestive system. As a means of comparison the following statistics are quoted:

The prevalence of dental caries among American grammar-school boys, according to statistics published in 1890, is 27.33 per cent. In an examination of the naval apprentices of the British training ship *Exmouth*, made at about the same period, the average age of the boys being about 14 years, it was found that 76 per cent had carious teeth, while in a recent examination of the teeth of the school children of northern Germany, whose ages were between 12 and 15 years, it was found that 94.5 per cent of them had dental caries in its various stages of development.

These statistics show conclusively the great prevalence of dental caries and its widespread dissemination among the Anglo-Saxons and Germans, who make up the great bulk of the Army. Dental diseases appear to be as prevalent among the officers and enlisted men of the Army as among individuals in civil life of the same social class, while with the troops who have served in the Philippines these diseases are much more prevalent, as a reference to the "Recapitulation of diseases and operations" will show. The increased percentage of dental diseases among the troops in the Philippine Islands over those stationed in the United States is 18.27, while among the troops in Cuba and Porto Rico it is 21.17. The increased percentage in Cuba and Porto Rico over those stationed in the Philippine Islands is due to the fact that these diseases are much more prevalent among the native troops of Porto Rico than among the white troops. Good, or at least serviceable, teeth are very necessary as a means of maintaining the general health, and consequently the highest efficiency, of an army, particularly when campaigning in the tropics, where conditions of the climate and necessary changes in the habits of life are so enervating and debilitating to the general system. Resistance to disease under these conditions is greatly lessened and the individual is consequently predisposed to a certain class of diseases, among which are dental caries, pulpitis, pericementitis, dento-alveolar abscess, pyorrhea alveolaris, necrosis of the jaws, and inflammatory and ulcerative conditions of the gums, of the oral mucous membrane, the throat, and tongue.

The following tables show the diseases and injuries treated during the year:

REGULARS.

Diseases and injuries of the teeth and gums.

	United States.	Philippine Islands.	Cuba and Porto Rico.	Total.
Abrasion, mechanical	1	30	3	34
Abscess of the jaw, associated with impacted teeth	51	29	1	81
Calcification of the pulp	1	6		7
Caries	11,206	18,626	1,260	31,092
Cysts of the jaw, associated with devitalized teeth	2	7		9
Defective fillings	3	10		13
Dento-alveolar abscess	1,250	1,224	196	2,670
Devitalized pulp	681	146	48	875
Dislocation of teeth	8	3		11
Erosion, chemical	10	8		18
Erupting teeth (painful)	97	24		121
Fracture of the teeth	92	80	7	179
Hemorrhage, following extraction	5	7		12
Hypertrophy of the gums	15	39	4	58
Hypertrophy of the pulp	7	17	1	25

Disease and injury of the teeth and gums—Continued.

	United States.	Philippine Islands.	Cuba and Porto Rico.	Total.
Hypercementosis	3	4	1	8
Impacted teeth	32	18	6	56
Irregularities of the teeth	21	25	2	48
Necrosis of the teeth	77	565	1	643
Pericementitis:				
Acute	154	134	64	352
Chronic	120	151	11	282
Pyorrhea alveolaris	214	296	17	527
Resorption of the alveolar process	27	51		78
Recession of the gums	1	46	5	52
Salivary deposits	1,060	2,090	236	3,386
Sensitive dentine	34	2		36
Supernumerary teeth	4	12	2	18
Pulp nodules	2	2		4
Pulpitis:				
Acute	1,029	1,687	148	2,864
Chronic	316	425	45	786
Total	16,523	25,764	2,058	44,345

Diseases and injuries of the mouth and jaws.

Cleft palate, hard	4			4
Empyema of the antrum (suppurative)	6	4		10
Fracture of the alveolar process	4			4
Fracture of the jaws:				
Superior	2			2
Inferior	6	3		9
Fracture of the jaws, gunshot wound, inferior	1			1
Gingivitis:				
Simple	88	111	4	203
Ulcerative	91	11		102
Leucoplakia buccalis	2			2
Mucous engorgement of antrum	3			3
Necrosis of jaws:				
Superior	2	2	6	10
Inferior	2		1	3
Neuralgia, facial	2	7	1	10
Osteitis, acute, resulting from impaction		1		1
Periostitis of jaw:				
Superior	9		13	22
Inferior	11	3	10	24
Stomatitis:				
Infectious	1		1	2
Simple	5	11	1	17
Ulcerative	45	21		66
Ulcerative syphilitic	1		1	2
Tumors of the jaws (radicular odontome)			1	1
Total	285	174	39	498

CHARACTER OF SERVICE.

The character of the services of the dental surgeons has changed considerably since the period covered by the last report. Then it was largely of an emergency nature, the chief aim and effort being to give relief from suffering and to return the men to duty with the least possible delay. Now, with the full complement of dental surgeons on duty, more time and attention are devoted to teaching methods of prophylaxis, to conserving the teeth by proper treatment of diseased conditions, restoring them to usefulness by inserting appropriate fillings, and replacing lost teeth by suitable crowns, bridges, or artificial dentures.

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The large number of teeth reported as extracted in the United States and the Philippine Islands is due to the great prevalence of dental caries of an acute type among troops serving in the tropics or recently

returned, which causes a very rapid destruction of teeth, making extraction necessary, because movement of troops would not in many cases permit the delay required to properly treat and fill them. It has been repeatedly impressed upon the dental surgeons by the members of the supervising board that their "chief duty was the conservation of the teeth," and that "no tooth should be extracted that gave any promise of responding to treatment or being restored to usefulness by appropriate filling or crowning, provided the individual could devote the proper amount of time and attention to the necessary treatment." The comparatively small number of restorations of teeth by crowning, bridging, and the insertion of artificial dentures is due to the fact that a majority of the dental surgeons are only furnished with an operating outfit. The mechanical laboratory is too cumbersome to be transported from station to station in the ordinary itinerary of dental surgeons, consequently all cases needing prosthetic treatment are sent to the base stations in the Philippines and to such general hospitals and large stations in the United States as have a dental surgeon on constant duty.

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HOSPITAL CORPS.

At the date of last report, June 30, 1902, the strength of the Hospital Corps was as follows:

Hospital stewards	271
Acting hospital stewards	405
Privates	3,366

Since then it has gained:

By enlistment	636
By transfer	302
Return from desertion	15

And lost during the same period:

By discharge by expiration of service	1,522
By discharge by order	139
By discharge by sentence of general court-martial	35
By discharge on surgeon's certificate	68
By retransfer to line	19
By retirement	7
By death due to disease	42
By death due to suicide	4
By death due to wounds	1
By death due to drowning	2
By desertion	124

Leaving in service June 30, 1903:

Sergeants first class	279
Sergeants	313
Corporals	10
Privates, first class	1,668
Privates	762

A most important advance in the interest of the corps was made by the proviso in the act making appropriation for the Army for the fiscal year 1904, directing changes in grades and pay, creating the grade of corporal, and authorizing the Secretary of War to organize companies of instruction, ambulance companies, field hospitals, and other detachments of the Hospital Corps, as the necessities of the service may require.

This act abolished the obsolete titles of hospital steward and acting hospital steward, which had no analogy with the titles of noncommissioned officers in other branches of the service, and substituted therefor the grades of sergeant first class, and sergeant; created the grade of corporal for certain members of the corps who may have an aptitude for controlling men, but do not possess the technical education to pass the rigid examination required for promotion to the grade of sergeant; divided the privates into two classes, and rated their pay at $18 and $16 per month, respectively.

Sergeants first class.—At the date of last report 29 vacancies existed in the grade of hospital steward. These vacancies were filled September 1, 1902, from the acting hospital stewards securing the highest marks in a competitive examination held in May, 1902.

During the year 25 vacancies have occurred among the sergeants first class, as follows:

Discharge by expiration of service	9
Discharge by favor	3
Discharge by order	2
Discharge by sentence of general court-martial	2
Died	2
Suicide	2
Retired	3
Deserted	2

From May 4 to 9 of this year a competitive examination was held to fill these vacancies. Sixty-nine sergeants in the United States applied for authority to appear for examination. Of this number 4 withdrew before examination, 17 were not recommended by the examining board, 5 applications were disapproved, 4 were absent from their post, 1 was sick, 1 declined the examination, and 1 deserted. In the Division of the Philippines 24 sergeants applied for examination. Of these 23 were approved, 1 was disapproved, 7 withdrew prior to and 1 during the examination. Of the 14 who completed the examination 12 were recommended by the local board for promotion.

During the year 126 privates were appointed sergeants. Of this number 7 were appointed by the Surgeon-General and 119 by chief surgeons of departments.

The papers presented by the men examined for appointment to the grades of sergeant first-class and sergeant show that the high standard required from this very excellent class of men is being maintained.

Ten corporals have been appointed at posts within the United States. Six appointments were allowed to the Division of the Philippines. Thirty-five lance corporals were also appointed by chief surgeons of military departments within the United States.

Recruitment.—Owing to the reduction it was necessary to make in the Hospital Corps during the year, active recruitment was suspended early in December, 1902, and reenlistments restricted to men who had excellent discharges or possessed some special qualifications. As it was evident these instructions would reduce the corps by June 30 to about the maximum strength allowed by the Secretary of War, a request was made to the Adjutant-General on June 27 that recruiting officers be notified that it was desired to resume recruiting for the corps, and also be requested to submit the names of desirable men to this office for authority to enlist them.

The reduction of our forces in the Philippines left a surplus of Hospital Corps men in those islands. To reduce this number to the allow-

ance for troops serving in the tropics, viz, 5 per cent for American troops and 3 per cent for native scouts, further transfer of privates to that division was suspended in October, 1902. On June 27 a communication was received from the Chief Surgeon, Division of the Philippines, stating that the strength of the corps in that division had been reduced to the allowance quoted above. A request was therefore made that the Commanding General, Department of California, be directed to send 25 privates, Hospital Corps, to the Philippines on the transport sailing from San Francisco on July 1.

The distribution of the Hospital Corps at the date of this report is as follows:

Department.	Sergeants first class.	Sergeants.	Corporals.	Privates first class and privates.	Total.
California	11	17		105	133
Colorado	11	10		75	96
Columbia	15	10		105	130
Dakota	8	10		75	93
East	45	50		400	495
Lakes	5	13		84	102
Missouri	12	24		166	202
Texas	4	11	1	58	74
Independent	41	67	9	488	605
Total in United States	152	212	10	1,556	1,930
Cuba	3	6		28	37
Porto Rico	2	4		26	32
Hawaii	1	2		12	15
China	1			5	6
Philippines	115	86		780	981
Transports	5	3		23	31
Total	279	313	10	2,430	3,032

Two companies of instruction for Hospital Corps men have been in operation during the present year, one at Washington Barracks and one at Angel Island. It is my desire and intention that newly enlisted men shall be sent to these schools for a four months course of instruction. Up to the present time it has not been possible to carry out this scheme in all cases. In the early part of the year the demand in the Philippines made it necessary to send men to that division before they had completed their course of instruction, and after December, when active recruiting was suspended, it was not practicable to furnish the men required by the schools. It is hoped that these difficulties can be avoided in future.

A board of medical officers was convened in Washington per paragraph 23, Special Orders 104, current series, Adjutant-General's Office, to decide upon a uniform system of instruction for the companies and for detachments of the corps throughout the Army; also to revise the drill regulations. The board rendered its report June 27, and has recommended a very complete scheme of instruction for both detachments and companies, which it is believed will prove satisfactory. The board also recommended some sweeping changes in the drill regulations of the Hospital Corps, which proposed regulations are now being printed and will be submitted to the Medical Corps for its opinion before receiving the approval of this office.

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ARMY NURSE CORPS.

At the close of the fiscal year 1902 there were 118 nurses in the service. During the fiscal year 1902-3 there have been 35 appointments and 54 discharges, leaving 99 nurses on the active list June 30, 1903, distributed as follows: United States Army General Hospital, Presidio of San Francisco, Cal., 40; United States General Hospital, Fort Bayard, N. Mex., 12; Hospital Corps Company of Instruction, Fort McDowell, Cal., 1 dietist; First Reserve Hospital, Manila, P. I., 31; Convalescent Hospital, Corregidor Island, P. I., 6; Base Hospital, Iloilo, P. I., 6; at home awaiting discharge, 2; en route to the Philippine Islands, 1.

Last year nurses were serving at eight of the United States Army hospitals, this year at only six—three in the United States and three in the Division of the Philippines. The withdrawal of the greater part of the troops from Calamba and Dagupan, Luzon, P. I., reduced the number of patients at these places so much that the services of trained nurses were no longer required.

The health of the corps has been excellent. There has been but one death among those on the active list since 1899; none since the last report.

The work of the corps as a body deserves high commendation. It has been faithfully and intelligently done, and the individual members have shown themselves zealous and readily amenable to the rigid discipline of our military hospitals.

MEDICAL AND HOSPITAL SUPPLIES.

Several important questions having to do with the equipment of the Medical Department have received appropriate action during the current year.

The supply of surgical instruments and appliances at posts, representing the purchases of forty years, had become so heterogeneous in character and many of them so unsuited to the requirements of modern aseptic surgery that it was felt the time had arrived to replace them by a modern and uniform equipment. Instructions were, therefore, given through the chief surgeons for the condemnation of all instruments carried in the Manual for the Medical Department as obsolete, except such cases as could be remodeled to conform with the supply table without prohibitory expense.

Steps had been already taken toward the accumulation of an adequate reserve of field medical equipment for war. This most necessary provision has been energetically prosecuted during the year, and the department has now on hand or under contract a complete field equipment for both field and regimental hospitals of five army corps, except the articles furnished by the Quartermaster's Department. A moderate surplus has been also provided to meet the requisitions for the National Guard made by the governors of States under the act for the equipment of the militia approved March 2, 1903.

Steps have been taken to carry into operation the scheme of containers for medicines invented by Capt. Edward L. Munson, assistant surgeon, U. S. Army, and adopted in the Supply Table, 1902, which provides that all bottles shall bear a definite relation, as regards cubic

space occupied, to the standard unit liter bottle, so that two, four, eight, or thirty-two of the smaller sizes or various combinations of these sizes may be packed in the same space as the 1-liter bottle. All bottles are packed in corrugated cardboard cartons, the thickness varying with the size of the bottles. The 1-liter bottle in its carton constitutes the packing unit, measuring 7 by 5 by 5 inches, and all combinations of smaller bottles when packed have the same dimensions. No other packing material except the cartons is needed.

The dimensions proposed for packages of medicines prepared for shipment are: For railroad and wagon transportation, 35 by 15 by 14 inches, inside measure; for pack-mule transportation, 28 by 15 by 15 inches, inside measure. These packages will receive 48 and 36 packing units, respectively, and will weigh approximately 105 and 90 pounds.

RECRUITING.

In 1902 a total number of 45,218 white and colored candidates was examined for enlistment, of whom 30,176 were accepted, or almost exactly two-thirds of the number applying. Of 42,183 white men 27,790 were accepted, and of 3,035 colored men 2,386 were accepted.

Monthly reports of examinations of recruits from the Philippine Islands, as far as received, show that in 1902, 736 native Malays were examined for the companies of Philippine Scouts and that only 20 were rejected.

Eighteen American Indians were also examined, of whom 14 were enlisted as scouts.

Of every thousand accepted men 781.05 were born in the United States, 64.76 in British territory, 42.25 in Germany, and 8.79 in Norway and Sweden.

As usual, the greatest number of rejections were for defects of physique, while diseases of the eye, diseases of the genito-urinary system venereal diseases, and hernia caused the next largest percentage of rejections in the order named.

Number of white and colored applicants for enlistment examined physically during the year 1902, with the number accepted, rejected on primary examination, and declined, with ratios per thousand.

	White.		Colored.		Total.	
	Number.	Ratio per 1,000 examined.	Number.	Ratio per 1,000 examined.	Number.	Ratio per 1,000 examined.
Examined	42,183	1,000.00	3,035	1,000.00	45,218	1,000.00
Accepted	27,790	658.80	2,386	786.16	30,176	667.34
Rejected	10,805	256.14	523	172.32	11,328	250.52
Declined	3,588	85.06	126	41.52	3,714	82.14

Nativity of white and colored recruits accepted during the year 1902, with ratios per thousand.

Nativity.	White.		Colored.		Total.	
	Number.	Ratio.	Number.	Ratio.	Number.	Ratio.
United States	23,569	781.05	2,372	78.61	25,941	859.66
England	428	14.18	2	.07	430	14.25
Scotland	104	3.45			104	3.45
Wales	17	.56			17	.56
Ireland	1,031	34.17			1,031	34.17
Canada	311	10.31	1	.03	312	10.34
Other British	63	2.09	8	.26	71	2.35
France	36	1.19			36	1.19
Belgium	17	.56			17	.56
Holland	21	.70			21	.70
Denmark	112	3.71			112	3.71
Norway	83	2.76			83	2.76
Sweden	182	6.03			182	6.03
Germany	1,275	42.25			1,275	42.25
Switzerland	74	2.45			74	2.45
Austria	138	4.57			138	4.57
Bohemia	30	.99			30	.99
Hungary	22	.73			22	.73
Poland	25	.83			25	.83
Russia	137	4.54			137	4.54
Finland	12	.40			12	.40
Italy	46	1.52			46	1.52
Others	57	1.89	3	.10	60	1.99
Total foreign	4,221	139.88	14	.46	4,235	140.34
Grand total	27,790	920.93	2,386	79.07	30,176	1,000.00

Causes of rejection among 45,218 candidates for enlistment examined during the year 1902, with ratios per thousand.

Number examined	White, 42,183.		Colored, 3,035.		Total, 45,218.	
Causes of rejection.	Number rejected.	Ratio per 1,000.	Number rejected.	Ratio per 1,000.	Number rejected.	Ratio per 1,000.
Venereal diseases	910	21.57	105	34.60	1,015	22.45
Other infectious diseases	130	3.08	6	1.98	136	3.01
Diseases of nutrition, general	52	1.23	3	.99	55	1.22
Diseases of the nervous system	77	1.83	3	.99	80	1.77
Diseases of the digestive system	806	19.10	26	8.57	832	18.40
Diseases of the circulatory system	1,314	31.15	48	15.82	1,362	30.12
Diseases of the respiratory organs	133	3.15	2	.66	135	2.99
Diseases of the genito-urinary system	1,014	24.04	29	9.55	1,043	23.07
Diseases of the lymphatic system and ductless glands	63	1.49	10	3.29	73	1.61
Diseases of the muscles, bones, and joints	123	2.92	3	.99	126	2.79
Diseases of the integument and subcutaneous connective tissue	228	5.41	13	4.28	241	5.33
Diseases of the eye	1,414	33.52	55	18.12	1,469	32.49
Diseases of the ear	145	3.44	7	2.30	152	3.36
Diseases of the nose	20	.47	2	.66	22	.49
Hernia	465	11.02	25	8.24	490	10.84
Other injuries	85	2.01	4	1.32	89	1.97
Overheight	2	.05			2	.04
Underheight	40	.95	3	.99	43	.95
Overweight and obesity	16	.38	2	.66	18	.40
Underweight	485	11.50	9	2.96	494	10.92
Imperfect physique	1,620	38.40	58	19.11	1,678	37.11
Mental insufficiency	30	.72			30	.66
Over age	10	.24	1	.33	11	.24
Minor	469	11.12	8	2.64	477	10.55
Married or having dependent relatives	106	2.51	3	.99	109	2.41
Illiteracy	31	.73	4	1.32	35	.77
Imperfect knowledge of English	23	.54			23	.51
Reenlistment disapproved for various reasons	37	.88	3	.99	40	.88
Character, bad or doubtful	115	2.73	10	3.29	125	2.76
Reference, none or unsatisfactory	24	.57			24	.53
Aliens	6	.14			6	.13
General unfitness and undesirable	512	12.14	17	5.60	529	11.70
No vacancies	5	.12	4	1.32	9	.20
Unclassified	295	6.99	60	19.77	355	7.85
Total	10,805	256.14	523	172.32	11,328	250.52

IDENTIFICATION OF DESERTERS AND OTHER UNDESIRABLE MEN.

Up to the end of June, 1903, 3,028 cases of identity have been reported to the Adjutant-General, U. S. Army. Of the total number there have been 32 failures to identify, either from lack of sufficient evidence or on account of the death, escape, or desertion of the individual before the case could be thoroughly investigated.

Of the 2,533 cases of identification up to the end of 1901, 656 men were held to service, 1,130 were dishonorably discharged, 469 deserted, and 278 were reported for the information of the Adjutant-General, the men being out of service at date of report.

During the last half of the fiscal year the identification section has furnished to the Pension Bureau a great amount of evidence from the outline cards and examination forms of recruits. From January to June, inclusive, 5,674 calls for such evidence from the Commissioner of Pensions were answered. I understand that the information furnished as to defects recorded at enlistment has materially assisted in the prompt settlement of many pension claims without the expense of special examinations, and has therefore saved the United States a considerable amount of money.

HEALTH OF THE ARMY.

The admission rate per thousand of strength of the whole Army for disease and injury in 1902 was 1,716.51, a slight improvement upon the rate of 1901, which was 1,791.59. Discharges for disability gave a rate of 23.32, considerably larger than in the foregoing year, in which 19.95 discharges per thousand were reported. Deaths in 1902 caused a loss of 15.49 men for each thousand of strength, a rate decidedly ahead of that for 1901, which was 13.94, but 3.54 per thousand died of cholera, and excluding these the death rate for 1902 would have shown improvement over the previous year.

In the United States the admissions were 1,343.77 and deaths 7.83 per thousand, compared with 1,550.25 and 6.90 in 1901.

In the Pacific islands 2,144.75 admissions and 24.31 deaths per thousand compare very unfavorably with 1,928.14 and 17.96 in 1901, but cholera caused the death of 7.57 soldiers out of every thousand in the islands.

In Cuba and Porto Rico the army had much less sickness and death than in the United States or Pacific islands, the admission rate there of 1,300.24 and a death rate of only 6.72 show that our troops on these islands are as healthy as was the whole army at home during the decade 1888-1897 prior to the Spanish war, when sickness and mortality were the lowest ever recorded.

The greatest noneffectiveness from disease and injury in the United States was reported in January, February, and March, in which months the sick report of troops at home was larger than in the Pacific islands. In March the cholera epidemic began in Manila and the island rates began at once to increase, the greatest number of admissions and the highest monthly mortality being reported in July.

A great reduction in the number of military posts in the Philippine Islands has taken place and from many of the more inaccessible stations troops have been withdrawn. The present force is therefore

distributed so as to allow the best possible sanitary conditions to obtain. Until barracks are constructed for the permanent garrisons the troops are exposed unavoidably to the insanitary surroundings of native towns, and while it is believed that under existing circumstances their health is as good as can be expected, the gradual withdrawal of the troops into well-built barracks on new ground and away from the unwholesome influences of too close contact with the native population should be followed by improvement in the rates of sickness and mortality. There is, however, much improvement in the sanitary conditions of cities and towns, notably in the case of Manila. Under the insular board of health, the chief officer of which has always been a medical officer of the Army, the city's health now compares favorably with some of the largest municipalities in the United States and Europe not usually considered as particularly unhealthful. From a report received from the commissioner of public health, Maj. E. C. Carter, surgeon, U. S. Army, dated May 12, 1903, it appears that the death rate in Manila for the current year is about one-half of what it was four years ago, amounting to only 22.17 per thousand for all classes.

The food supply of the troops abroad is reported as generally excellent. Fresh meat and vegetables are supplied plentifully, and ice is furnished at nearly all the island stations.

There is a general recommendation noted in nearly all the sanitary reports, from commands of Philippine scouts, made by medical officers, and strongly urged by company commanders that the full army ration be issued to these soldiers. As diet is supposed to have much to do with the prevalence of beri-beri, it would appear that these recommendations deserve careful consideration.

The custom of boiling all drinking water in the Philippine Islands is kept up, and there appears to be a loss of confidence in the Waterhouse-Forbes sterilizer, with much difference of opinion as to its merits. It is hoped that a series of experiments, made on the spot, may demonstrate the exact value of the apparatus of which so much was expected.

Modern systems of drainage and sewerage being practically nonexistant in the Philippines, much attention is given to complete removal of all wastes by manual labor and cartage.

Criticism of the clothing for hygienic reasons is scarcely ever noted in sanitary reports either at home or in the tropics.

In the United States at some stations the barracks and quarters are reported as being overcrowded, with resulting bad ventilation, or else in bad repair. This is a natural result of the increase of the Army at home stations more rapidly than new buildings could be constructed, and will be remedied in time.

The water supply of posts in the United States is generally satisfactory and beyond criticism, but at some of the larger stations water for drinking is boiled as a routine measure. The necessity for such action at home, where good natural water can generally be obtained, is much to be deplored. The permanent military stations of the United States should have water supplies beyond suspicion, ample for all purposes, and preferably independent of neighboring municipalities. To furnish, with much trouble, a limited supply of boiled or distilled water for drinking where impure water, or at least water under suspicion, is used for other purposes, is very unsatisfactory, as most

men will drink from the most convenient source, and are apt to prefer the unboiled water. At Fort Leavenworth, Kans., the water supply from the town system of Leavenworth has been repeatedly condemned by medical officers, but the question seems to be now on the eve of satisfactory settlement. At Jefferson Barracks, Mo., an experimental well has been suggested, with a view to securing a water supply independent of St. Louis. At the Presidio of San Francisco, Cal., the local supply is insufficient, and the general hospital and neighboring camps and cantonments use the city water.

Sewerage and disposal of wastes generally are reported satisfactory, although at Jackson Barracks, La., the problem of sewage disposal is as yet unsettled, and at Fort Ringgold, Tex., a large and offensive cesspool has existed, due to the fact that the outfall of the post sewer was left high and dry several years ago when the Rio Grande changed its course.

The food of the Army in the United States is almost always reported as very good. Adverse criticism is exceedingly rare, being even then generally directed toward minor defects in baking, cooking, or serving, rather than the quality of the raw material.

It is believed that the sanitary inspections of military posts required of the senior medical officers on duty are conscientiously carried out, and that all defects that can be remedied by local action receive prompt consideration, while recommendations involving new construction or large expense are brought before higher authority. Inspections of all the posts of the military department by the chief surgeon have been authorized in some cases. The value of such inspection is self-evident; first, as it affords the chief medical officer a necessary acquaintance with the personnel of medical officers and enlisted men of the Hospital Corps, and the methods of instruction, administration, and care of sick employed at each post; and, second, it enables him to know personally the sanitary conditions affecting all troops in the department. I earnestly repeat the recommendation of my predecessors that each chief surgeon of a department be required annually to inspect the medical department and the sanitary condition of every post. Both the knowledge and experience of a trained medical officer are necessary to an inspector reporting upon such matters as the care of the sick, the management of contagious diseases, professional instruction of enlisted men, etc., while the chief surgeon who does not thoroughly know the sanitary conditions of the department can not be expected to intelligently act upon numerous questions referred to him for opinion or decision.

The work of the sanitary inspector attached to the headquarters Division of the Philippines has consisted in supervising the sanitary care of Government storehouses, distilling plants, inter-island transports, and the lorchas, bancas, and barges of the Army Transport Service.

Until recently the quartermaster and commissary storehouses were in various parts of the city of Manila, necessitating a loss of much time in travel from place to place for inspecting purposes. These buildings were large and airy, making good storehouses, but they were poorly provided with water-closets, and the inspector found difficulty in preventing the native employees from committing nuisances about the alleys and grounds in their neighborhood. But the concentration

of all warehouses on the south bank of the Pasig River, where efficient sanitary closets have been provided, has obviated the difficulties encountered in this direction.

The two distilling plants at Manila furnish about 10,000 gallons of water daily, which amount appears to be ample for the needs of those to be supplied. These plants have been provided with steam connection with the boiler so that cans and vessels brought for water may be steamed before being filled for issue. The tanks themselves are sterilized in like manner every two weeks, and the water examined for bacteria before and after each sterilization.

A daily inspection of bancas and launches has had beneficial results, and at this time they are in excellent condition. Much improvement has taken place in the sanitary status of the inter-island transports, due to the active cooperation of the depot quartermaster, whose prompt compliance with the recommendations of the inspector has led the masters of these transports to understand that a good sanitary condition on board is essential to the retention of their charter. These transports are inspected on arrival at Manila and again before clearing.

RACIAL PREVALENCE OF DISEASE AND INJURY IN THE ARMY.

The enrollment of about 5,000 native Filipino scouts having added a new racial element to the Army, it becomes a matter of much interest to study the comparative effects of disease on them and on our white and colored troops. For the whole Army, at home and abroad, during the year 1902 the white troops showed an admission rate of 1,706.33 per thousand and a death rate of 14.40. The negro troops had 1,897.74 admissions and 24.11 deaths per thousand, and the Malay scouts 1,707.21 admissions per thousand and 24.04 deaths. The white race, therefore, gave the lowest figures in sickness and much the lowest mortality. The black race led in both, although the Malay closely approached it in death rate.

In injuries the Filipino soldiers were singularly fortunate, having an admission rate of only 76.87 per thousand, much less than one-half the colored rate, 194.25, and scarcely more than a third of the white rate, 211.14. Their entire mortality from injury was from gunshot, 7 men in all. Certain infectious diseases, rare at all times in the Army and not common in the Philippine Islands, did not occur among the scouts, such as scarlet fever, diphtheria, and cerebro-spinal fever. On the other hand, their percentage of measles was about half that of the white troops, and the prevalence of mumps was over twice as great. In admissions for consumption they exceeded slightly the white men, but fell far below the negro troops. In smallpox no great difference in prevalence was observed, although the Filipino troops led. In typhoid fever the Malay rate for admission and death was only one-fourth of the white at home and abroad.

Malarial diseases throughout the entire Army caused a very much greater percentage of sickness and death among Philippine scouts than among either white or colored soldiers of American birth. The white and colored rates did not greatly vary, being 242.82 and 274.98 admissions per thousand, respectively, and a mortality of only 0.38 and 0.23 per thousand, while among the native scouts 707.84 admissions per thousand to sick report were caused by malaria and 1.66 men per thousand died.

Dengue was also more prevalent among the scouts.

Asiatic cholera, which caused 4.72 cases and 2.83 deaths for each thousand white soldiers in the Army, showed 15.68 admissions and 7.96 deaths per thousand in the negro regiments and 16.58 admissions and 10.15 deaths per thousand for Filipino troops. When allowance is made for the large number of white soldiers in the United States and not exposed to cholera, the rates for races do not so greatly differ.

The one infectious disease which was almost entirely confined to the soldiers of Malaysian blood is beri-beri. Scarcely known among white troops, slightly more common in colored, it caused an admission rate among the native scouts of 123.92 per thousand and a death rate of 6.01 per thousand, exactly one-quarter of their entire mortality for the year.

Of venereal diseases the scouts showed only a little more than one-fourth prevalence compared with white troops, and slightly more than one-sixth the colored rate. A considerable number of the scouts are, however, married men.

The freedom of the Filipino from the vice of drunkenness is strikingly shown when we find that out of 5,000 men only 3 individuals were treated for alcoholism in one year, and that while white soldiers were admitted to sick report on account of their own misconduct in the use of alcohol at the rate of 24.78 per thousand, and colored troops at the rate of 11.70, the Malay scouts showed the extremely small admission rate of 0.62 per thousand.

In resisting gastric and intestinal diseases (cholera excepted) the Malay soldier appears, from the records of 1902, to have a great advantage over both the white and colored Americans. To dysentery, acute and chronic, he is apparently subject to one-third the extent of his white comrade, to other diarrheal diseases less than one-half, and he has about the same proportionate immunity to other diseases of this class—dyspepsia, colic, constipation, gastritis, etc.

Without going further into specific diseases it seems, generally speaking, that Filipino troops exceed greatly both white and black in infectious diseases, excepting dysentery and typhoid fever, and that including these last they are much less subject to diseases affecting the digestive organs.

In diseases of the nervous system (excluding beri-beri as an infectious disease) the difference is even greater, the prevalence among Malay soldiers being only about one-fourth of the white rate.

Diseases of the circulatory and respiratory systems, the genito-urinary system, the lymphatic system, diseases of the muscles, bones, and joints, the eye, ear, nose, and throat, also the unclassified diseases, vary in different degrees for the different races, but in all the Filipino scouts show the smallest rate, while in skin diseases they lead the others.

Full statistics of the comparative prevalence and mortality in each disease and injury among soldiers of the three races represented in the Army appear at the end of this report, but however interesting and instructive they may be to the general reader, they are somewhat misleading in certain diseases for the reason that many of the most serious maladies prevail more extensively in the Philippine Islands, and as a large part of the white force and some of the colored were not subjected during 1902 to Philippine conditions, and as all the scouts were so exposed, it seems best to make a few further comparisons between the

health of the Malay soldiers with white and colored troops actually serving in the Islands.

During 1902 there was a mean strength in the Philippine Islands of 30,300 white soldiers, 2,642 colored, and 4,826 native scouts.

Ever since the American occupation of the Philippines, the health of the forces there serving has been mainly affected, first by malarial fevers and results, second by dysentery and diarrheal diseases, and third by dengue and other febrile conditions of undetermined character. In 1902 cholera appeared and made a heavy impression on the rates of sickness and death. Comparing carefully the effects of the foregoing diseases on white, black, and Malay, some rather unexpected results are obtained, tabulated briefly as follows:

Special diseases in Philippine Islands, 1902, by races, admission rate and death rate per 1,000 of strength.

Disease.	White troops, 30,300.		Colored troops, 2,642.		Malay troops, 4,826.	
	Admitted.	Died.	Admitted.	Died.	Admitted.	Died.
Malarial fevers and results	442.18	0.70	374.72	0.38	707.83	1.66
Dengue	173.63	.....	190.01	.....	147.12	.....
Fevers, undetermined	17.95	.....	19.30	.....	35.02	.....
Dysentery, acute and chronic	133.33	4.85	80.25	1.89	24.45	.83
Diarrheal diseases	399.57	.43	275.17	.....	98.43	.....
Cholera	11.16	6.70	25.36	11.35	16.58	10.15

From this table the Philippine scouts serving in their own country are seen to largely exceed the white and colored American troops in admission rate and mortality from malarial fevers, in fact, to more than double the colored rates. They had nearly as large a percentage of dengue and over twice as much fever of undetermined origin.

Their comparative immunity to dysentery and diarrhea is much more strikingly shown than when compared to the whole Army. The white troops had nearly six times as much dysentery and six times as many deaths from this cause per thousand, while the colored ratios were about three times as large. Four times as much diarrhea prevailed among the whites and thrice as much among the negroes.

The native of the Philippines eats and drinks with comparative impunity articles of food and foul water, the use of which by white men is disastrous, but he has no such immunity to cholera, and we find that in the present epidemic the admission and death rates in 1902 for native troops greatly exceeded those of the white soldiers, although the American negroes were the greatest sufferers of all.

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Respectfully submitted.

R. M. O'Reilly,
Surgeon-General, U. S. Army.

Hon. Elihu Root,
Secretary of War.

REPORT OF THE PAYMASTER-GENERAL.

WAR DEPARTMENT,
PAYMASTER-GENERAL'S OFFICE,
Washington, September 15, 1903.

SIR: I have the honor to submit the following report of this office for the fiscal year ended June 30, 1903:

On July 1, 1902, officers of the Pay Department were charged with public funds aggregating	$7,310,720.90
During the fiscal year these officers received—	
From the United States Treasury	33,327,928.21
From soldiers' deposits	1,888,014.37
From Army paymasters' collections	1,119,296.08
Total balances and receipts	43,645,959.56

Accounted for as follows:

Expended on account of pay of the Army	32,599,406.48
Expended on account of pay of the Army, war with Spain (on Treasury certificates)	81,763.85
Expended on account of extra pay to Regular Army, war with Spain (on Treasury certificates)	7,804.74
Expended on account of extra pay to volunteers, war with Spain (on Treasury certificates)	20,032.66
Expended on account of mileage to officers[a]	31,755.63
Expended on account of reimbursement to contract surgeons (on Treasury certificates)	1,250.50
Expended on account of pay of Military Academy	383,838.82
Expended on account of volunteers (Treasury certificates)	244,752.14
Total expenditures	33,370,604.82
Surplus funds deposited to credit of United States Treasurer	3,835,411.47
Army paymasters' collections deposited to credit of United States Treasurer	1,119,296.08
Balances charged officers June 30, 1903	5,320,647.19
Total	43,645,959.56

[a] These figures represent only payments of mileage accounts involving the fiscal years 1900, 1901, and 1902; the Army appropriation act approved June 30, 1902, having provided that payments on account of "mileage to officers" during the fiscal year 1903 shall be accounted for under the general head of "Pay, etc., of the Army, 1903." For statement of aggregate amount actually disbursed on account of mileage during the past fiscal year, see pages 10 and 11 of this report.

Number and amounts of deposits received from and repaid to soldiers on discharge from July 1, 1872, to June 30, 1903.

Fiscal year ending June 30—	Deposits received.		Deposits repaid.		
	Number.	Amount.	Number.	Principal.	Interest.
1873	.....	$209,850.38	.....	.....	.....
1874	.....	346,669.56	.....	.....	.....
1875	.....	325,255.80	.....	.....	.....
1876	.....	435,912.68	.....	.....	.....
1877	5,524	328,585.09	14,752	$1,041,001.57	$49,713.89
1878	5,524	346,243.94	3,182	145,667.91	8,420.24
1879	6,087	470,770.38	4,926	257,854.48	17,706.93
1880	8,635	477,174.44	8,084	392,568.93	30,680.97
1881	8,942	524,112.72	8,148	501,949.77	38,722.62
1882	6,890	448,561.83	7,570	428,482.44	31,658.73
1883	7,902	407,544.68	6,695	363,578.34	26,123.60
1884	7,114	389,267.55	8,184	404,291.57	31,124.93
1885	7,033	427,617.96	6,930	401,902.22	38,249.44
1886	7,261	469,031.55	7,835	490,506.79	46,583.23
1887	6,889	436,574.98	6,988	389,083.12	34,758.24
1888	7,409	386,944.10	6,346	323,952.97	29,327.01
1889	7,892	383,798,34	7,664	396,468.53	33,647.38
1890	7,634	395,128.82	7,206	411,039.74	41,596.60
1891	6,790	403,473.15	9,106	553,047.45	51,797.70
1892	5,570	334,464.70	8,019	410,873.15	38,894.26
1893	5,870	282,248.04	5,317	268,835.46	26,059.07
1894	5,914	361,830.76	5,786	290,088.98	27,014.32
1895	6,284	318,270.73	5,880	308,372.45	28,766.42
1896	8,778	420,338.87	6,486	359,200.43	38,614.66
1897	17,878	535,392.64	6,976	345,559.55	34,850.53
1898	21,856	613,513.51	17,377	561,518.64	45,815.61
1899	37,842	1,496,762.31	28,508	988,774.63	61,273.95
1900	91,461	3,215,544.66	27,571	1,028,146.34	43,234.89
1901	111,004	3,438,529.11	78,948	2,955,169.39	114,750.37
1902	80,833	2,660,250.66	129,271	3,708,820.19	190,957.77
1903	55,551	1,888,014.37	59,968	2,134,191.91	123,298.43
Total	.....	23,177,618.27	.....	19,860,946.95	1,283,641.84
Amount remaining to credit of depositors	.....	3,316,671.32	.....	.....	.....

NOTE.—Repayment of deposits to soldiers from July 1, 1872, to June 30, 1876, were not recorded by fiscal years. The repayments of 1877 include all deposits repaid prior thereto.

The above table gives a complete history of soldiers' deposits since the passage of the act authorizing them May 15, 1872. As will be seen by reference to the table, the number and amount of the deposits varied comparatively little from the beginning of the system until the fiscal year of 1897 and the breaking out of the Spanish war.

The deposits reported as repaid for the fiscal year 1902 was an estimated amount. The actual repayments are now reported in above table.

DISBURSEMENTS IN ALASKA.

Owing to the long period each year during which it is impracticable to ship funds to Alaska for the payment of troops stationed at Forts Davis, Egbert, Gibbon, and St. Michael, and the cessation of the unsatisfactory method by which payment was secured by them through an Alaskan trading company, it was determined to appoint the commanding officers of these posts as acting paymasters and supply them with sufficient funds to make payment to the troops.

This arrangement was carried into effect and funds shipped as follows: To the commanding officer at Fort Davis, $23,500 on July 6, on steamer *Senator;* to the commanding officer at Fort Egbert, $28,000; Fort Gibbon, $28,500, and Fort St. Michael, $29,000, all on steamer *Roanoke*, July 9; total, $109,000.

The commanding officers of these posts will make payments at regular pay periods and render their accounts therefor to this office as soon as practicable after each payment, as now done by the acting paymaster of the United States legation guard at Peking, China.

The payment of the posts at Skagway and Fort Liscum will continue to be paid as heretofore by the paymasters of the Department of the Columbia, Portland, Oreg.

TRANSFERS BY CABLE.

In my last annual report it was stated that between September 26, 1899, and August 28, 1902, $12,490,818.04 in cash had been deposited with the chief paymaster, Division of the Philippines, by Manila banking institutions and others for New York exchange. Since the latter to the present date $1,794,670 in cash has been so received or a total to date of $14,285,488.04. Add to this $28,024,550 sent out by Government transports and the total of cash to date for the payment of Philippine troops is $42,290,038.04.

The Philippine treasury having been designated a United States depository for disbursing officers since November 1, 1902, it is believed that shipment of cash from the United States will cease as soon as that agency of the Government shall have accumulated sufficient United States funds for the needs of such creditors as may be entitled to them.

PAYMENTS IN THE PHILIPPINES.

The following extract from the annual report of the chief paymaster, Division of the Philippines, indicates the very satisfactory manner in which the duties of the pay corps are discharged in the Philippine Islands:

The payments to the troops have been bimonthly at some stations and monthly at others, depending upon the location of the stations and the amount and kind of water transportation available. In the Department of Luzon, up to the muster of May 31, 1903, all troops, except those garrisoning the post of Manila, were paid bimonthly. At the request of the commanding officer, Second Brigade, and commencing with the muster of May 31, all troops on the line of the Manila and Dagupan Railroad have been paid monthly.

In the Department of the Visayas it has not been practicable until quite recently to pay the troops oftener than bimonthly at any points except those at which paymasters were stationed. With the establishment, however, of a regular bimonthly inter-island transport service, it has been possible for the paymasters stationed at Iloilo to reach and pay the larger posts on the coast monthly.

In the Department of Mindanao, owing to the distances and difficulty of securing transportation, monthly payments have been undertaken at Zamboanga only.

Generally speaking, payments to the troops have been made promptly, and it may be stated without fear of contradiction that whenever delays have occurred it must be charged to the lack of adequate water transportation, for at no time since the occupation of these islands has there been a lack of funds or officers of this department to promptly perform the duties for which they were commissioned. And in this connection it is a pleasure to call attention to the zeal, cheerfulness, and energy at all times shown by the officers and clerks of the department in the performance of their duties. While it is true that owing to the reduction of the force the abandonment of many small stations in the interior and the concentration of the troops into large posts the work of the pay department in the Philippines has been made somewhat easier than formerly, it is also true that the duties are still at times hard and exacting, the trips long and arduous, and the hardships severe. All of this has been cheerfully borne, and the entire force is to be congratulated on the fine record it has made.

The payment of civilian scouts attached to native scout companies, all of whom were discharged April 30, 1902, is believed to be about completed, and in accordance with the instructions of the auditor of the Philippine Islands the balance ($5,416.10) remaining on hand of the amount appropriated for their payment by the Philippine Commission was covered into the Philippine treasury June 22, 1903.

Funds for the payment of the troops on duty as United States legation guard, Peking, China, are furnished by the chief paymaster of the division, on requisition of the commanding officer of the guard, but the only shipment of this kind made since December, 1901, was one of $10,000 gold coin, May 9, 1903.

The establishment of the treasury of the Philippine Archipelago and its designation as a United States depository for funds of disbursing officers, which occurred November 1, 1902, has been of the greatest help in transacting the business of this department. It has not only relieved this office of the responsibility of caring for

very large sums of money, but has provided a check which is accepted at par all over the islands, in place of a check drawn on the United States which was generally accepted with reluctance (except by those who wished to remit to the United States) on account of the difficulty in negotiating it.

All shipments of funds from the United States for the payment of troops during the fiscal year have been made in United States notes, except a shipment of $1,000,000, arriving May 27, 1903, which was in gold eagles and double eagles. This was done in accordance with the request of the treasurer of the Philippine Archipelago, and with the view of not only reducing the disproportionate amount of silver, minor coin, and smaller denominations of notes on hand, but also to assist in establishing a gold reserve in the Philippine treasury.

It has been recommended by inspecting officers and others from time to time that troops, especially native scouts, at isolated points be paid in Mexican currency, if desired, the reason therefor being that troops so located are seldom able to get the full benefit of the discount on this kind of currency, and are therefore not on the same footing as regards pay as those more fortunately situated. This is undoubtedly true, and this office would be glad to recommend that payments be made, when so desired, and especially to native scouts serving at isolated stations, in Mexican currency, were it not prohibited by law. "No exchange of funds shall be made by any disbursing officer or agent of the Government of any grade or denomination whatever or connected with any branch of the public service other than exchange of gold, silver, United States notes, and national-bank notes, and every such disbursing officer, when the means for his disbursements are furnished him in gold, silver, or United States notes, shall make his payments in the moneys so furnished." (R. S., 3651.)

The deposits for the last year were a little over $1,000,000 and the disbursements were a little less than $8,250,000, while the deposits for the preceding year were something less than $2,000,000 and the disbursements about $14,000,000. The proportion, therefore, of deposits to disbursements this year is a little less than that of last year.

Very respectfully,

GEO. R. SMITH,
Major and Paymaster, U. S. Army, Chief Paymaster.

Payment of troops in the Philippine Islands—Funds sent, soldiers' deposits, etc., during the fiscal year ending June 30, 1903.

Balance in hands of paymasters July 1, 1902	$4,372,477.80	
Cash sent to Manila by United States transports during fiscal year 1903	2,580,000.00	
Received from soldiers' deposits during fiscal year	1,027,871.97	
Received from transfers by paymasters serving in the United States, July 1, 1902, to June 30, 1903	5,837,290.55	
		$13,817,640.32
Unexpended balances deposited to credit of Treasurer of the United States, July 1, 1902, to June 30, 1903	2,870,243.63	
Transferred to paymasters serving in the United States and China, July 1, 1902, to June 30, 1903	10,086.53	
Disbursed by paymasters, July 1, 1902, to June 30, 1903	8,283,821.84	
		11,164,152.00
Balance to credit of paymasters, June 30, 1903		2,653,488.32

OFFICERS' DEPOSITS.

It is much to be regretted that the House of Representatives, at its last session of Congress, failed to adopt the Senate provision in the Army appropriation bill, for the deposit, by officers of the Army on the active list, of their savings upon the terms provided for enlisted men under the act of May 15, 1872. Very few officers have at any time more money than will meet their current needs, but in times of hostilities and during foreign service, when officers would presumably be far removed from banking institutions or opportunities to use them, it would be to their incalculable advantage and mental relief if

they were privileged to deposit a part of their monthly pay for safe-keeping by the Government. It is not necessary that the officer should receive the same interest on deposits that enlisted men are allowed; 2½ or 3 per cent would doubtless be entirely satisfactory to them.

Aside from considerations of accommodation of the officer, the safe-keeping of his savings and certain provision for his family through undrawn deposits in event of death, the Government, by the adoption of such a system, would encourage prudent and thriftful habits in the commissioned as well as the enlisted forces of the Army. The following provision is therefore recommended for insertion in the Army appropriation bill for the fiscal year ending June 30, 1905, under the heading "Pay of officers:"

Provided, That so much of sections 1305, 1306 (as amended by the act of March 3, 1883), 1307, and 1308, Revised Statutes, as relates to deposits of pay and interest thereon, is hereby extended to all officers of the Army on the active list, but with such provision for repayment of said deposits as may be prescribed by the President: *Provided further*, That the gross amount of said deposits in any one year shall not exceed half of the pay of the officer for such year, and the rate of interest payable on officers' deposits shall not exceed —— per cent.

DETAILS FROM THE LINE.

In my last annual report I stated:

The present law detailing captains from the line for duty in the Pay Department works admirably. The only change that I would recommend in this connection would be that recommended by me in my annual report for 1901, that instead of the details being made from the captains of the line they be made from first lieutenants of the line, and the officers so detailed given the rank, pay, and allowances of captains, mounted, during their tour of service.

I renew the recommendation made in 1901 and 1902.

LONGEVITY UNDER THE WATSON DECISION.

The Supreme Court, in United States *v.* Watson, decided March 11, 1889, that service as a cadet in the Military Academy should be reckoned in computing longevity pay prior, as well as subsequent, to the act of February 24, 1881; but while Congress has in a few individual cases, by special acts, provided that settlements should be made under the Watson decision, said decision, except in four individual cases, has not been accepted and followod by the accounting officers for the reason that it reversed a consistent and uninterrupted construction of the act of July 5, 1838, from the date of its passage until it was superseded by the act of February 24, 1881, which act they claim has never been held as retroactive by them or any court.

While the claim that no court has viewed the act of February 24, 1881, as of retroactive effect may be correct, the Supreme Court in the case of Watson gave to the act of July 5, 1838, practically the same construction given by the courts and conceded by the accounting officers as the proper construction of the act of February 24, 1881.

With a view of giving the Watson decision general effect prior to February 24, 1881, and thus giving to the act of July 5, 1838, the construction placed upon it by the Supreme Court of the United States, it is recommended that the accompanying bill be presented to Congress at its next session. It has the approval of the Auditor for

the War Department, and in my judgment will give relief to such officers of the Army as are debarred by the accounting officers from the benefits conferred upon Watson by the Supreme Court decision.

Be it enacted, etc., That in the settlement of claims for longevity pay and allowances on account of services of officers of the Regular Army, arising under the act of July 5, 1838, and amendments thereof, the accounting officers of the Treasury shall, without regard to the lapse of time, credit as service in the Army of the United States, within the meaning of that act and its amendments, all services rendered as a cadet at the United States Military Academy and as an enlisted man or commissioned officer in the Regular and Volunteer armies, and no settlement heretofore made shall preclude a settlement under the terms of this act, and there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, a sufficient sum to pay the amounts found due by the accounting officers under the provisions of this act.

MILITIA.

The provisions of the new militia law (act January 21, 1903), when fully availed of by all the States, must result in a material increase in the work of the office, as all accounts for payments to militia, whether by State disbursing officers under section 14 or by army paymasters under section 15, will be required to pass the administrative scrutiny of the office before transmittal to the Auditor for the War Department. Thus far 14 States have participated, or given notice that they will participate, with regular troops in maneuvers under section 15, involving payments by army paymasters of 22 regiments and several battalions, separate companies, and detachments, and it is probable that during the season more than that number will be paid by State disbursing officers under section 14.

CLERICAL FORCE.

I again desire to commend the industry and efficiency of the clerical force of this office. All demands upon them for work at extra hours have been promptly and cheerfully responded to, with the result that all arrearages of work consequent upon the muster out of the late volunteers and the reduction of the Army to its present strength have been brought up to date, and it is believed that the business of the office has never been more promptly transacted than at the present time. The reduction of the enlisted strength of the Army does not, however, in the same degree diminish the work of the office, as the number of organizations and officers remains the same, requiring the same number of vouchers and pay rolls to be handled, examined, and disposed of.

Attention is invited to the following tables showing the work of the Pay Department during the year.

Very respectfully,

A. E. BATES,
Paymaster-General U. S. Army.

The SECRETARY OF WAR.

* * * * * * *

REPORT OF THE CHIEF OF ENGINEERS.

OFFICE OF THE CHIEF OF ENGINEERS,
UNITED STATES ARMY,
Washington, September 29, 1903.

SIR: I have the honor to present for your information the following report upon the duties and operations of the Engineer Department for the fiscal year ending June 30, 1903:

OFFICERS OF THE CORPS OF ENGINEERS.

The number of officers holding commissions in the Corps of Engineers, U. S. Army, at the end of the fiscal year was 153.

Since the last annual report the Corps of Engineers has lost 7 of its officers—Second Lieut. Francis F. Longley, who resigned September 2, 1902; Capt. Robert McGregor, who died December 23, 1902; Lieut. Col. Andrew N. Damrell, who was retired from active service on account of disability incident thereto, January 29, 1903, under the provisions of section 1251, Revised Statutes; Col. Samuel M. Mansfield, Col. Jared A. Smith, and Col. Peter C. Hains, who were appointed brigadier-generals, United States Army, February 20, April 13, and April 21, 1903, respectively; and First Lieut. Edmund M. Rhett, who resigned June 4, 1903.

There were added to the Corps of Engineers, by promotion of graduates of the Military Academy, 10 second lieutenants on June 22, 1903, to rank from June 11, 1903.

On the 30th of June, 1903, the officers were distributed as follows:

Commanding the Corps of Engineers and Engineer Department, Board of Ordnance and Fortification, and War College Board	1
Office of the Chief of Engineers, Provisional General Staff, and Light-House Board	1
Office of the Chief of Engineers	5
Division engineer and The Board of Engineers	1
Division engineer, river and harbor works, and light-house district	1
Division engineer, river and harbor works, The Board of Engineers, and Light-House Board	1
Division engineer, Mississippi River Commission, river and harbor works, and engineer officer, Department of the Lakes	1
Division engineer, California Débris Commission, and engineer officer, Department of California	1

Fortifications, river and harbor works, and light-house districts	6
Fortifications and river and harbor works	14
The Board of Engineers, river and harbor works, and International Congress	1
Washington Aqueduct	2
River and harbor works	15
The Board of Engineers and engineer officer, Department of the East	1
Division engineer, fortifications, river and harbor works, and California Débris Commission	1
River and harbor works and light-house districts	3
Fortifications and light-house district	1
Division engineer, Mississippi River Commission, fortifications, and river and harbor works	1
Division of the Philippines	20
Division engineer, fortifications, and river and harbor works	1
Light-House Establishment	2
En route from the Philippine Islands	9
Provisional General Staff	3
Public buildings and grounds, District of Columbia	1
Post of Fort Leavenworth, First Battalion of Engineers, and engineer officer, Department of the Missouri	1
With Isthmian Canal Commission	2
Survey of Northern and Northwestern lakes	1
Mississippi River Commission, river and harbor works, and light-house district	1
Engineer Commissioner, District of Columbia	1
Post of Washington Barracks, Engineer School of Application, and Third Battalion of Engineers	10
River and harbor works and Yellowstone National Park	1
Provisional General Staff and Department of the Columbia	1
United States Military Academy	6
Assistants to Engineer Commissioner, District of Columbia	2
Post of Fort Leavenworth, and First Battalion of Engineers	16
Fortifications, river and harbor works, and engineer officer, Department of Texas	1
Fortifications, river and harbor works, and Vicksburg National Military Park	1
Buildings for War College, Washington Barracks, and Government Printing Office	2
California Débris Commission	1
Mississippi River Commission	1
The Board of Engineers	1
Adjutant-General's Office, United States Army	1
Graduating leave of absence	10
Total	153

The duties devolving upon the Corps of Engineers have been increasing year by year and are now greater than ever before in its history. These duties now include the command of three battalions of troops; the construction of fortifications; superintending works of river and harbor improvements; the construction and repair of light-houses; the construction of public buildings; the water supply, the municipal engineering, care of public buildings and grounds, and a share in the city government of the capital of the United States; the improvement of the Yellowstone National Park; the survey of the Northern and Northwestern lakes; the mining and débris commission in the State of California, all of which involve the expenditure of many millions annually, and, in addition to various other duties, supervision of military engineering and reconnaissance work in the several military departments and instruction at the Military Academy and schools of application.

The act of February 2, 1901, increased the organization of the Corps of Engineers from 127 officers to 160 and the enlisted strength from one battalion to three battalions. The increase of officers was made up of 5

captains, 10 first lieutenants, and 18 second lieutenants. The extra battalions require the exclusive service of the following officers: Two majors, 8 captains, 12 first lieutenants, and 8 second lieutenants; the net effect of the increase was the loss of 7 officers from the grades which are most effective for duty other than with troops.

While the organization of the Corps of Engineers provides for 160 officers, law, orders, and regulations now provide for not less than 110 positions that must be filled by officers of the Corps of Engineers, independent of duties relating to construction of fortifications and works of river and harbor improvements. A further reduction in number of not less than 16 must be considered for officers sick, on leave, or undergoing instruction at schools of application. As a result there remain but 27 officers specially available for construction work in not less than 54 engineering districts throughout the country.

At the present time it is necessary to so combine works and districts as to throw upon many officers such a number and variety of duties as to make it difficult at times for them to devote to the separate districts and the various items of work the proper detailed consideration.

It is urgently recommended that the number of officers in the Corps of Engineers be increased from 160 to 185, which number, it will be noted from what precedes, is the very least that can properly provide for supervision of the work now assigned by law and regulations.

ENGINEER TROOPS.

The existing law fixing the organization of the Army provides for three battalions of engineers, each made up of four companies.

During the past fiscal year the stations and duties of these battalions and the names of the officers serving therewith were as follows:

FIRST BATTALION OF ENGINEERS.

(Fort Leavenworth, Kans.)

Maj. Smith S. Leach, commanding.
First Lieut. Harry Burgess, adjutant.
First. Lieut. Sherwood A. Cheney, quartermaster and commissary.

COMPANY A.

Capt. Thomas H. Rees.
First Lieut. Frederick W. Altstaetter, until August 3, 1902.
First Lieut. Horton W. Stickle.
Second Lieut. Nathaniel E. Bower.
Second Lieut. Laurence V. Frazier, from October 1, 1902.

COMPANY B.

Capt. George A. Zinn, until February 26, 1903.
Capt. Herbert A. Deakyne, since February 26, 1903.
First Lieut. Francis A. Pope.
Second Lieut. Wildurr Willing.

COMPANY C.

Capt. Clement A. F. Flagler.
First Lieut. George M. Hoffman.
Second Lieut. Robert R. Ralston, since October 1, 1902.

COMPANY D.

Capt. James B. Cavanaugh, until May 25, 1903.
Capt. Robert R. Raymond, since June 14, 1903.
First Lieut. Gilbert A. Youngberg.
Second Lieut. Clarence H. Knight.

During the year the battalion took part in the annual maneuvers at Fort Riley, Kans., where its work received special commendation from the commanding general, Department of the Missouri. It also took part in the ceremonies incident to the dedication of the Louisiana Purchase Exposition at St. Louis. Companies A, B, and C, with ponton-bridge equipage, took part in the rescue and relief of citizens imperiled by the floods on the Missouri River during the spring of 1903.

SECOND BATTALION OF ENGINEERS.

(Philippine Islands.)

Lieut. Col. Clinton B. Sears, commanding, until May 7, 1903.
First Lieut. James A. Woodruff, adjutant.
First Lieut. Edward M. Markham, quartermaster and commissary.
First Lieut. Edward M. Adams, quartermaster and commissary, Companies E and F, since May 28, 1903.

COMPANY E.

Capt. Henry Jervey, detached.
First Lieut. William Kelly, until September 17, 1902.
First Lieut. George B. Pillsbury.
First Lieut. Edward N. Johnston, until October 2, 1902.
First Lieut. George R. Spalding.

COMPANY F.

Capt. Robert McGregor, detached. (Died December 23, 1902.)
First Lieut. Lytle Brown, until September 17, 1902.
First Lieut. Earl I. Brown.
First Lieut. Curtis W. Otwell.
First Lieut. Elliott J. Dent.

COMPANY G.

Capt. Jay J. Morrow, until May 5, 1903.
First Lieut. Amos A. Fries.
First Lieut. Lewis H. Rand, since November 13, 1902.
First Lieut. John R. Slattery, until September 17, 1902.
First Lieut. Hubert L. Wigmore.
First Lieut. Ernest D. Peek.

COMPANY H.

Capt. William W. Harts.
First Lieut. Lewis H. Rand, until November 13, 1902.
First Lieut. Gustave R. Lukesh.
First Lieut. Clarence O. Sherrill.
Second Lieut. William G. Caples.
Second Lieut. Arthur Williams.
Second Lieut. William A. Mitchell, November 3, 1902, to June 2, 1903.
Second Lieut. Warren T. Hannum, November 3, 1902, to June 2, 1903.

During the year the battalion was engaged in road and bridge work, map making, reconnaissances, and other engineering work usually falling to engineer troops in the field. A detachment from Company G took part in the campaign against the Lake Lanao Moros. On June 14, 1903, Companies G and H sailed for the United States, having been relieved by Companies I and K of the Third Battalion of Engineers.

THIRD BATTALION OF ENGINEERS.

(Washington Barracks, D. C.)

Maj. William M. Black, commanding, until April 1, 1903.
Maj. Edward Burr, commanding, since April 1, 1903.
First Lieut. Frank C. Boggs, adjutant.
First Lieut. William D. Connor, quartermaster and commissary, until September 19, 1902.
First Lieut. Thomas H. Jackson, quartermaster and commissary, since September 20, 1902.
First Lieut. Edward M. Adams, quartermaster and commissary Companies I and K, since May 28, 1903.

COMPANY I.

Capt. Spencer Cosby, since April 2, 1903.
First Lieut. William J. Barden, September 1, 1902, to April 15, 1903.
First Lieut. Thomas H. Jackson, until September 19, 1902.
First Lieut. Edward M. Adams, January 23, 1903, to May 28, 1903.
First Lieut. John R. Slattery, January 7 to April 24, 1903.
First Lieut. Alfred B. Putnam, until April 30, 1903.
First Lieut. Paul Stanley Bond, from November 15, 1902, to January 8, 1903.
First Lieut. John H. Poole.
First Lieut. William A. Mitchell, since June 2, 1903.

COMPANY K.

Capt. Charles Keller, since April 1, 1903.
Capt. Charles W. Kutz, until March 14, 1903.
First Lieut. Albert E. Waldron, until March 24, 1903.
First Lieut. William P. Stokey, since April 11, 1903.
Second Lieut. Henry C. Jewett.
Second Lieut. Mark Brooke, September 30, 1902, to April 7 1903.
Second Lieut. Warren T. Hannum, since June 2, 1903.

COMPANY L.

Capt. James F. McIndoe.
First Lieut. William Kelly, February 1 to April 24, 1903.
First Lieut. Edmund M. Rhett, until June 4, 1903.
First Lieut. Michael J. McDonough, until April 14, 1903.
First Lieut. Edward N. Johnston, since December 5, 1902.
Second Lieut. William L. Guthrie, since September 29, 1902.

COMPANY M.

Capt. Meriwether L. Walker.
First Lieut. Edward M. Adams, until January 21, 1903.
First Lieut. Albert E. Waldron, since March 25, 1903.
First Lieut. Paul Stanley Bond, since January 8, 1903.
First Lieut. William P. Stokey, until April 11, 1903.
Second Lieut. James F. Bell, since September 30, 1902.

During the year Companies K, L, and M of the Third Battalion took part in the combined Army and Navy maneuvers in the New London, Conn., artillery district, and were commended by the commanding general, Department of the East, for their work, which was entirely satisfactory in every respect. The battalion took part in the ceremonies attendant upon the laying of the corner stone of the building for the Army War College. On April 15, 1903, Companies I and K, under the command of Maj. Curtis McD. Townsend, left Washington Barracks, D. C., for San Francisco, Cal., en route to the Philippine Islands, reaching Manila, P. I., May 27, 1903, where they relieved Companies G and H of the Second Battalion of Engineers.

THE BOARD OF ENGINEERS.

The regulations for the government of the Corps of Engineers provide for a Board of Engineers, consisting of not less than three officers, designated by the Chief of Engineers with the sanction of the Secretary of War. This Board acts in an advisory capacity to the Chief of Engineers upon important questions of engineering. One of its principal duties is to plan or revise the projects for permanent fortifications of the United States.

The composition of this Board and its operations during the past fiscal year are given in its report.

FORTIFICATIONS.

The scheme of national defense upon which work has now been in progress since 1888 is based upon a report dated January 16, 1886, submitted by the Board on Fortifications or other Defenses, popularly known as the Endicott Board. This Board indicated the localities where defenses were most urgently needed, determined the character and general extent of the defenses, with their estimated cost, and recommended for first consideration the names of 27 principal ports, arranged in the order of their importance.

The degree of defense to be provided for coaling and other naval stations scattered all over the world; for the larger naval bases which must be promptly established, and for which appropriations are asked of Congress by the Navy Department; for the ports of Manila, Pearl Harbor, and Honolulu, and for the lake ports and the St. Lawrence River, should preferably be determined by a tribunal similar to the Endicott Board, as recommended in my last annual report. (This tribunal should be created for the purpose by Congress, and, like the Endicott Board, should, it is suggested, include the Secretary of War, the Chiefs of Engineers, Ordnance, and Artillery, one high ranking officer of each of those branches of the service, two naval officers of high rank, and two civilians expert on the subject of our foreign commercial relations.) In the absence of legislation on the subject of insular defenses, a mixed board of engineer and artillery officers, organized by authority of the Secretary of War, has already partially considered and reported upon plans for the emergency defense of several of the most important harbors in the insular possessions. Valuable data have been collected regarding the physical character of the proposed sites, and when money becomes available work of construction can be started with reasonable promptness to provide a defense which will be adequate to emergencies in advance of the adoption of a more complete scheme of defense. Before these preliminary plans are actually entered upon, it might be well to invite the cooperation of the Navy by the assignment of a certain number of naval officers upon a new joint board of army and navy officers appointed to revise or enlarge the preliminary plans of defense heretofore prepared. For this purpose the Board might well assemble and conduct its labors in Washington, where the records are filed and the policy of the Government may be more easily determined.

The first act of Congress designed to carry out the recommendation of the Endicott Board was approved September 22, 1888. It created

the Board of Ordnance and Fortification and made appropriations for beginning the manufacture of modern seacoast ordnance, but made no provision for the construction of batteries. The first appropriation for the construction of gun and mortar batteries was contained in the act of August 18, 1890, since which time appropriations of varying amounts have been made regularly each year for carrying forward the adopted scheme of coast defense, for the manufacture of ordnance, for the construction of batteries, and for torpedo defenses.

From time to time the defensive details for each locality have been carefully elaborated in projects prepared by The Board of Engineers, and in each case these projects have received the formal approval of the Secretary of War prior to the actual beginning of work. Up to the present time projects for permanent seacoast defenses have been adopted for 31 localities in the United States, as follows:

1. Frenchman Bay, Maine.
2. Penobscot River, Maine.
3. Kennebec River, Maine.
4. Portland, Me.
5. Portsmouth, N. H.
6. Boston, Mass.
7. New Bedford, Mass.
8. Narragansett Bay, Rhode Island.
9. Eastern entrance to Long Island Sound.
10. New York, N. Y.
11. Delaware River.
12. Baltimore, Md.
13. Washington, D. C.
14. Hampton Roads, Virginia.
15. Entrance to Chesapeake Bay at Cape Henry.
16. Cape Fear River, North Carolina.
17. Charleston, S. C.
18. Port Royal, S. C.
19. Savannah, Ga.
20. St. Johns River, Florida.
21. Key West, Fla.
22. Tampa Bay, Florida.
23. Pensacola, Fla.
24. Mobile, Ala.
25. New Orleans, La.
26. Galveston, Tex.
27. San Diego, Cal.
28. San Francisco, Cal.
29. Columbia River, Oregon and Washington.
30. Puget Sound, Washington.
31. Lake Champlain.

In addition to the above localities, the defense of the Great Lakes and the St. Lawrence River is under consideration.

Projects for the defenses for San Juan, Porto Rico; Pearl Harbor and Honolulu Harbor, Hawaii; San Luis d'Apra, Guam; Manila Bay, and Subic Bay have been approved by the Secretary of War, and actual construction should begin thereon at an early day. It is believed that the time has come when it will be no longer possible to ignore the question of insular defenses. The Navy Department is properly insistent that all its important coaling stations should receive proper defensive protection to keep off predatory attacks from possible hostile fleets.

The seacoast defenses of the United States are now somewhat more than 50 per cent completed. Twenty-five of the principal harbors of the United States have a sufficient number of heavy guns and mortars mounted to permit an effective defense against naval attack, and during the past three years considerable progress has been made in the installation of an adequate rapid-fire armament, now the matter of first importance.

Gun and mortar batteries. The existing projects for seacoast defenses comprise 358 heavy guns of 8-inch, 10-inch, and 12-inch calibers, 1,294 rapid-fire guns from 2.24-inch to 6-inch caliber, and 532 mortars. The total cost for the engineering work is estimated at $50,000,000, including what has been completed as well as what remains to be done.

Since the inauguration of the present system of coast defense the several appropriations made by Congress for the construction of gun and mortar batteries have been as follows:

Act of—		Act of—	
August 18, 1890	$1,221,000.00	May 7, 1898	$3,000,000.00
February 24, 1891	750,000.00	July 7, 1898	2,562,000.00
July 23, 1892	500,000.00	March 3, 1899	1,000,000.00
February 18, 1893	50,000.00	May 25, 1900	2,000,000.00
August 1, 1894	500,000.00	March 1, 1901	1,615,000.00
March 2, 1895	500,000.00	June 6, 1902	2,000,000.00
June 6, 1896	2,400,000.00	March 3, 1903	2,236,425.00
March 3, 1897	3,841,333.00		
Allotments from the appropriation for "National Defense," act of March 9, 1898	3,817,676.02	Total	27,993,434.02

The total number of seacoast guns and carriages for which the Chief of Ordnance reports his department has made provision, and the corresponding permanent emplacements for which the Engineer Department has made provision with the funds appropriated for construction of gun and mortar batteries, including allotments from the appropriations for "National Defense," are shown in the following table:

Type of gun or carriage.	Total carriages provided.	Total emplacements provided.
12-inch mortar carriages, model 1896	[a] 306	296
12-inch mortar carriages, model 1891	[b] 85	80
12-inch disappearing carriages, L. F., model 1901	11	11
12-inch disappearing carriages, L. F., model 1897	35	35
12-inch disappearing carriages, L. F., model 1896	27	27
12-inch gun-lift carriages, altered to nondisappearing	3	3
12-inch gun-lift carriages, model 1891	2	2
12-inch nondisappearing carriages, model 1892	[c] 28	27
10-inch disappearing carriages, A. R. F., model 1896	3	3
10-inch disappearing carriages, L. F., model 1901	12	12
10-inch disappearing carriages, L. F., model 1896	74	74
10-inch disappearing carriages, L. F., model 1894	35	35
10-inch nondisappearing carriages, model 1893	[d] 11	9
8-inch disappearing carriages, L. F., model 1896	38	40
8-inch disappearing carriages, L. F., model 1894	26	26
8-inch nondisappearing carriages, model 1892	[e] 9	[f] 9
15-inch smoothbore carriages altered for 8-inch rifles	21	[g] 21
6-inch disappearing carriages, model 1898	29	29
6-inch rapid-fire (Vickers Son & Maxim), pedestal mounts	8	8
6-inch disappearing carriages, model 1903	70	70
6-inch rapid-fire, pedestal mounts, model 1900	44	44
5-inch balanced-pillar mounts, model 1896	32	32
5-inch pedestal mounts	21	21
4.7-inch rapid-fire (Armstrong pattern), pedestal mounts	34	34
4.7-inch rapid fire (Schneider pattern), pedestal mount	1	[h] 1
4-inch rapid-fire (Driggs-Schroeder), pedestal mounts	4	4
3-inch balanced-pillar mounts	118	118
3-inch casemate mounts	2	2
3-inch pedestal mounts	134	134
2.24-inch rapid-fire field carriages and rampart mounts	70	[i]

[a] The number of carriages of this type provided for exceeds by 10 the number which the Chief of Engineers has notified the Chief of Ordnance are required for the emplacements he has provided.
[b] One in use at West Point; 4 in storage.
[c] One in use at Sandy Hook Proving Ground.
[d] One at Sandy Hook Proving Ground. The number of carriages of this type provided for exceeds by 2 the number which the Chief of Engineers has notified the Chief of Ordnance are required for the emplacements he has provided.
[e] One at West Point and 1 at Sandy Hook Proving Ground.
[f] Five temporary, armament removed from 3.
[g] Temporary; armament removed from 20.
[h] Temporary.
[i] Movable mounts.

The foregoing table shows that up to the present time provision has been made for emplacing 334 heavy guns (including 26 temporary

emplacements), 567 rapid-fire guns (including 1 temporary emplacement), and 376 12-inch mortars.

During the fiscal year just closed operations were carried on with unexpended balances of the appropriations carried by the regular fortification appropriation acts approved May 25, 1900, March 1, 1901, and June 6, 1902. The number of emplacements provided for under each of the foregoing acts is exhibited in previous annual reports. Under the fortification act of March 3, 1903, it is proposed to provide emplacements for the following number of guns:

10-inch.	6-inch.	3-inch.
3	24	60

The total number of emplacements of every kind provided for to date by all appropriations is as follows:

12-inch.	10-inch.	8-inch.	Rapid-fire.	12-inch mortars.
105	133	96	567	376

In this total are included seventy 2.24-inch rapid-fire guns on movable mounts not requiring permanent emplacements, temporary emplacements for twenty-one 8-inch B. L. rifles on modified 15-inch carriages, one temporary emplacement for 4.7-inch rapid-fire gun, and five temporary emplacements for 8-inch guns on nondisappearing carriages. The foregoing temporary emplacements were built during the war with Spain from the "National Defense" funds. The 8-inch guns will be transferred from time to time to permanent emplacements as these are completed, and a number of them have already been so transferred. While it is proposed eventually to disarm these temporary emplacements, they can again be used in case of emergency, and have for this reason been included in the foregoing enumerations.

The status of emplacements for which funds have been provided by Congress is as follows at the close of the fiscal year:

	12-inch.	10-inch.	8-inch.	Rapid-fire.	12-inch mortars.
Guns mounted	92	115	[a] 93	[b] 178	328
Ready for armament	9	9	2	[c] 200	32
Under construction	4	8	1	189	16
Total	105	132	96	567	376

[a] Twenty-three of these, which have been mounted temporarily, have since been dismounted.
[b] One temporarily.
[c] Including seventy 6-pounders not requiring permanent emplacements.

At the close of the previous fiscal year there were reported mounted:

12-inch.	10-inch.	8 inch.	Rapid-fire.	12-inch mortars.
80	112	89	108	297

A comparison of the last two tables shows an addition during the year to the completed seacoast armament of twelve 12-inch guns, three 10-inch guns, four 8-inch guns, seventy rapid-fire guns, and thirty-one mortars.

For continuing the work of construction of gun and mortar batteries in accordance with approved projects an estimate of $4,250,000 is submitted.

Range and position finders.—During the year satisfactory progress has been made. The utmost harmony has existed between the Chief of Engineers, the Chief of Ordnance, the Chief Signal Officer, and the Chief of Artillery, all of whose departments are involved in the work.

At the present time 11 fire commanders' and 55 battery commanders' stations have been completed and turned over to the troops for use and care; 22 fire commanders' and 55 battery commanders' stations are under construction.

The experimental system of position finding at Pensacola, using long horizontal bases, operated very satisfactorily under actual test. Final action by the Board of Ordnance and Fortification has not yet been taken on the test. An estimate of $325,000 is submitted to continue the engineer work of installing range finders to serve batteries already built.

Preservation and repair of fortifications.—Operations under this appropriation have been limited during the fiscal year to the preservation of engineer material in new batteries, and to the application of remedial measures for reducing the dampness in some magazines in the earlier works. The mechanical and electrical appliances in modern batteries demand unremitting attention to prevent deterioration and damage under the destructive influence of the moist sea air. The new works already constructed represent an expenditure of approximately $27,000,000 for engineering work alone. With the $300,000 provided for by the act of March 3, 1903, for works of preservation and repair it will be possible to remedy many incipient leaks and other defects as well as to remove some faults of construction in the earlier emplacements. It is strongly recommended that an appropriation of the same sum be again made this year, as the needs are great and the number of separate batteries, etc., requiring attention and care is constantly increasing.

Supplies for seacoast defenses.—The acts of May 25, 1900, March 1, 1901, and June 6, 1902, each appropriated the sum of $25,000, and that of March 3, 1903, $35,000, for tools and electrical and engine supplies for use of the troops for maintaining and operating light and power plants in gun and mortar batteries. This is designed to enable the Engineer Department to meet the requirements of paragraph 382, Army Regulations, prescribing the articles which are to be supplied by the Engineer Department to the Coast Artillery for the service of the batteries. Requisitions are made directly upon the Chief of Engineers, and authorized articles are purchased and issued by district engineer officers with as little delay as possible. This system has proved satisfactory. An estimate of $35,000 is submitted for this purpose for the next fiscal year. The sum carried by the last act has proved to be just sufficient for the purpose with the number of plants now in operation.

Sea walls and embankments.—The act of June 6, 1902, appropriated $100,000 and that of March 3, 1903, $89,575 for the construction of sea walls and embankments, which has been applied to the construction of sea walls at fortifications for the defense of the eastern entrance to Long Island Sound, New York Harbor, Delaware River, Baltimore, Md., Hampton Roads, Virginia, Tampa, Fla., Pensacola, Fla., Mobile, Ala., New Orleans, La., and San Diego, Cal.

Based upon reports of district engineer officers showing the necessity for their construction, an estimate of $200,000 is submitted for the construction of sea walls and embankments at a number of additional localities.

Sites.—During the past year negotiations have been continued for the acquisition of one site at Boston Harbor, one at Narragansett Bay, and one at Fort St. Philip, La.; the acquisition of one site at Portland Harbor, Maine, was completed during the year. In addition, negotiations have been entered into for the acquisition of one site at Portland, Me., and one at the eastern entrance to Long Island Sound, and of one tract at Fort Hunt, Va.

A number of sites still remain to be acquired to carry out the approved projects of seacoast defenses, and an estimate of $2,000,000 is submitted to continue the work. The most important of the sites still to be acquired is the one at the southern entrance to New York Harbor, rendered necessary by the new deep-water entrance now under construction.

Submarine mines.—With few exceptions all harbors are now equipped with torpedo storehouses, cable tanks, and serviceable mining casemates. Many of the latter are not of the latest type and are complained of by the artillery as insufficient in size. As funds become available they will be replaced by more convenient and commodious casemates. Additional mining casemates and storage facilities are still required at several localities; an estimate of $225,000, to be expended under the Engineer Department, is submitted for their construction. The purchase of torpedo material proper, such as cables, cases, floating plant, etc., was, by act of June 6, 1902, assigned to the Artillery Corps, and the construction of the buildings, casemates, cable galleries, and cable tanks left with the Corps of Engineers.

By the army reorganization act of February 2, 1901, the torpedo defense of the seacoast devolved upon the artillery troops. The material has been reported ready for transfer at all points except Galveston, Tex.

Actual transfers have been made as follows:

Portland, Me., September 30, 1901.
Portsmouth, N. H., December 16, 1901.
Boston, Mass., January 5, 1903.
New Bedford, Mass., November 15, 1901.
Narragansett Bay, October 31, 1901.
Eastern entrance to Long Island Sound, May 20, 1901.
Eastern entrance to New York Harbor, July, 1901.
Southern entrance to New York Harbor, May 6 and 14, 1901.
Delaware River, July 13, 1901.
Baltimore, Md., April 29, 1901.
Washington, D. C., July 24, 1901.
Hampton Roads, Virginia, December 31, 1901.
Cape Fear River, North Carolina, November 6, 1901.
Charleston, S. C., May 2, 1901.
Port Royal, S. C., July 26, 1901.
Savannah, Ga., June 29, 1901.
Key West, Fla., October 15, 1901.
Tampa, Fla., August 17, 1901.
Pensacola, Fla., May 27, 1901.
Mobile, Ala., June 15, 1901.
New Orleans, La., November 6, 1901.
San Diego, Cal., May 31, 1901.
San Francisco, Cal., April 1, 1903.
Columbia River, April 30, 1901.

Searchlights and electrical connections.—The fortification appropriation act of March 1, 1901, appropriated $150,000 for the purchase and installation of searchlights for the defenses of New York Harbor. Under this appropriation work is well advanced. The acts of June 6, 1902, and March 3, 1903, each appropriated $150,000 for the general installation of searchlights in seacoast defenses.

The construction of the national seacoast defenses has now reached a point where most of the heavy guns are in position, and a large portion of the rapid-fire emplacements and some of the rapid-fire guns are completed, and it is important to continue the systematic installation of searchlight apparatus for night defense. Experience has shown that economy in installation and the keeping of electric plants in good order in time of peace are promoted by habitually using fortification plants for post illumination. An estimate of $500,000 for searchlight installation is submitted and is recommended for special consideration as one of the urgent needs of the defense at this stage of its progress.

Defenses of insular possessions.—The importance of providing at an early date for the defenses of Porto Rico, the Hawaiian Islands, Guam, and the Philippines has been emphasized by the Chief of Engineers in his annual reports for the past three years, but up to the present time no funds for this purpose have been appropriated. Sufficient data are now on hand to permit beginning the construction of these defenses at once. An estimate of $2,000,000 for the construction of gun and mortar batteries for the defense of these insular possessions is therefore submitted, to be applied at such insular localities as are now the property of the United States or may become so before the appropriation is exhausted. Sites for this purpose are now available at Porto Rico, Guam, and the Philippines, but the acquisition of additional land will be necessary for the defenses of the Hawaiian Islands. An estimate of $526,100 is submitted for this purpose.

POST OF WASHINGTON BARRACKS, D. C.

Under the command of Maj. William M. Black, Corps of Engineers, until April 1, 1903, and of Maj. Edward Burr, Corps of Engineers, since that date.

The reservation upon which this post is located is at the southern extremity of the city of Washington, D. C., and upon a long, narrow point lying between the Washington channel of the Potomac River and the James Creek Canal. A concise description of it will be found in the Annual Report, Chief of Engineers, 1902 page, 793. The character of the buildings unsuited them for the uses of a garrison and their location was such as to render unavailable much of the area of the post, a large portion of which was subject to overflow at high tides and freshets. During the fiscal year much progress was made in improving the reservation by the reconstruction of sea walls and the raising of low lands by material dredged from the Washington channel. Plans were prepared for the entire reconstruction of the post, and the work was commenced under appropriations specifically made for that purpose. The construction of the War College building, at the southern end of the post, was also commenced.

Pending the completion of new buildings, only such ordinary repairs have been made to old barracks, quarters, and storehouses as to maintain them in fair condition for occupancy.

Water is obtained from the water supply of the city of Washington. The post is lighted by gas. There is no telegraph station upon the post, but telephonic communication is provided with the city. Mails are handled by special messenger to and from the nearest city substation.

There are no target facilities upon the post. A 200-yard range was used for a short time under special authority, but firing upon it had to be discontinued. A 300-yard range was prepared on the reservation of the Fort Foote subpost, and such target firing as could be done on this range and the Ordway rifle range was carried out. The range facilities for this post are entirely inadequate for efficient training of the troops, and the need of a Government range accessible to all troops near Washington is urgently felt.

The garrison of the post was composed of the Third Battalion of Engineers to April 15, 1903, and of Companies L and M of that battalion after that date. The engineer band was also stationed at the post.

SUBPOST OF FORT FOOTE.

Fort Foote is located on the left bank of the Potomac River about 7 miles below Washington Barracks. A concise description of it will be found in the Annual Report, Chief of Engineers, 1902, page 795. Under authority of the Secretary of War this reservation was placed under the command of the commanding officer of Washington Barracks for purposes of drill and target firing.

Fort Foote does not form a part of the existing project for the defense of the approaches to Washington, and the old defenses are in very bad condition. The existing buildings are old frame structures in bad repair and no garrison is maintained at the post, the reservation being in immediate charge of an ordnance sergeant. It was occupied from time to time during the summer of 1902 and during June, 1903, as a camp site for troops from this garrison while engaged in target firing or engineer drill upon the reservation.

No work was done on the reservation during the year, excepting minor repairs to the wharf, roads, and water supply. Additional repairs will be necessary, particularly to the water supply, in order to place the reservation in the proper condition for the use as a camp site for troops.

THIRD BATTALION OF ENGINEERS.

Under the command of Maj. William M. Black, Corps of Engineers, until April 1, 1903, and of Maj. Edward Burr, Corps of Engineers, since that date.

The Third Battalion of Engineers formed the garrison at Washington Barracks from the beginning of the year until April 15. On that date Companies I and K departed for San Francisco en route to the Philippines, under command of Maj. C. McD. Townsend, Corps of Engineers. Companies L and M are under orders to leave for the same destination on September 15, 1903. Companies K, L, and M were assigned to duty at Forts Wright and Terry during the combined army and navy maneuvers in August and September, 1902, and were engaged in operating searchlights and portions of the movable defenses, in addition to some engineering work in connection with the preparation of trenches and siege batteries.

The target firing of the command during the year was not all that could have been desired, due largely to insufficient range facilities, to which reference has been made in the report upon the post of Washington Barracks, D. C. Of the four men sent from the battalion to the department competition two men succeeded in gaining places upon the department team.

The full course of infantry and engineer instruction was carried on throughout the year, being varied to meet the conditions of summer and winter weather, and included many items of practical field instruction as well as theoretical instruction in post and noncommissioned officers' schools during the winter. A detailed statement of this instruction will be found in the report of the commanding officer of the battalion. The battalion and all of its companies were provided with a full field equipment for service in the Philippines.

ENGINEER SCHOOL OF APPLICATION, U. S. ARMY.

Commandant, Maj. William M. Black, Corps of Engineers, until April 1, 1903, and Maj. Edward Burr, Corps of Engineers, since that date.

The staff of the school is composed of the commandant and 3 instructors detailed for that particular duty. Regular instruction of officers was begun on November 1, 1902, and was continued to April, 1903, when the school, so far as concerns instruction of officers, was suspended by the Secretary of War, on the recommendation of the War College Board and the Chief of Engineers, U. S. Army, these recommendations being based upon the great demand for engineer officers for duty elsewhere and the necessity of vacating the old buildings in order to make room for the new ones in process of erection. During the year 16 officers of the Corps of Engineers were under instruction. A statement of the method of instruction followed will be found in the Annual Report, Chief of Engineers, 1902, and the details of the course during the past year will be found in the report of the commandant. The school is composed of three principal departments for instruction in military engineering, civil engineering, and electrical and mechanical engineering, and the course includes theoretical instruction during the winter season and practical instruction between May 1 and November 1. A trade school is also maintained for the instruction of enlisted men in a number of the mechanical trades.

At the beginning of the fiscal year and following the transfer of the school from Willets Point, N. Y., to this post, the school was lacking in nearly all the items of equipment necessary for successful operation. A large part of the essential elements of equipment for offices, class rooms, laboratories, and shops was provided during the year from the appropriation made for the school. Besides the furniture and supplies needed for office equipment and for maintenance the principal improvements during the year were in the electrical laboratory and the trade-school shops.

In addition to their regular duties much work in other lines was done by the officers on duty with the school, including a consideration of the improvement of the engineer equipment of troops, the improvement of the bridge equipage, and the preparation of the Engineer Field Manual. Four pamphlets, the text of which was prepared by officers on duty with the school, were printed upon the school press and distributed.

ENGINEER DEPOT, WASHINGTON BARRACKS, D. C.

In charge of Maj. William M. Black, Corps of Engineers, until April 1, 1903, and of Maj. Edward Burr, Corps of Engineers, since that date.

The Engineer Depot, located at Washington Barracks, D. C., has been largely employed during the year in the purchase and issue of equipment for engineer troops, the repair and issue of engineer instruments, the purchase of intrenching tools, and the improvement of the ponton equipage. The routine work of the depot includes, moreover, the care and preservation of a large number of tools and instruments stored at the depot or received and issued from time to time.

The facilities for carrying on the work of the depot at this post have been very meager, particularly in the way of storage facilities. No suitable building for an engineer storehouse has been available since the transfer of this depot from Willets Point, New York Harbor, in October, 1901, and the depot property has been stored in various buildings, which have been temporarily arranged and repaired for the purpose. Many minor repairs and alterations were made to old buildings during the year, but suitable facilities will not be available until the completion of the reconstruction of the post of Washington Barracks. Details of the work of the depot will be found in the report of the officer in charge.

STATEMENT OF FUNDS.

I. For Engineer Depot at Willets Point, N. Y., for fiscal year ending June 30, 1902, for "Washington Barracks:"		
July 1, 1902, balance unexpended		$283.44
July 30, 1903, expended during fiscal year	$278.51	
June 30, 1903, turned into the Treasury	4.93	
		283.44
II. For Engineer Depot, fiscal year ending June 30, 1903:		
Amount allotted		8,000.00
June 30, 1903, expended during fiscal year	$7,366.64	
June 30, 1903, amount pledged	633.36	
		8,000.00
III. Engineer School, Washington, D. C., 1903:		
Amount appropriated for fiscal year ending June 30, 1903		45,000.00
June 30, 1903, amount expended during fiscal year	$24,263.87	
June 30, 1903, amount pledged	20,486.12	
June 30, 1903, available for contingent expenses attending the completion of contracts	250.01	
		45,000.00
IV. Equipment of Engineer Troops, fiscal year 1902:		
July 1, 1902, balance unexpended		494.32
June 30, 1903, expended during fiscal year	$372.50	
June 30, 1903, turned into the Treasury	121.82	
		494.32
V. Engineer equipment of troops, fiscal year 1903:		
Total of allotments made during fiscal year		8,787.19
June 30, 1903, expended during fiscal year	$5,887.56	
June 30, 1903, amount pledged	2,899.53	
June 30, 1903, to be turned into the Treasury	.10	
		8,787.19

VI. Emergency fund, War Department, act of March 3, 1899, for "Equipment of Electrical Laboratory at Engineer School, Washington Barracks:"		
July 1, 1902, balance unexpended		$5,950.91
June 30, 1903, expended during fiscal year	$4,939.99	
July 1, 1903, balance unexpended	1,010.92	
		5,950.91
VII. Examinations, Surveys, and Contingencies of Rivers and Harbors, for "Repairs of Instruments:"		
Amount allotted during fiscal year		500.00
June 30, 1903, expended during fiscal year	$491.40	
June 30, 1903, amount pledged	8.60	
		500.00

NEW APPROPRIATIONS.

I. For Engineer Depot, for fiscal year ending June 30, 1904, the following amounts were allotted by the Chief of Engineers, United States Army:		
a. For "Incidentals"	$8,000.00	
b. For "Instruments"	500.00	
		8,500.00
For Engineer Equipment of Troops for fiscal year ending June 30, 1904		5,400.00
II. For Engineer School, Washington, D. C., for fiscal year ending June 30, 1904:		
Amount appropriated for equipment and maintenance of the Engineer School of Application at Washington Barracks, D. C.		25,000.00

ENGINEER DEPOT, FORT LEAVENWORTH, KANS.

This depot is maintained for the purpose of storing and issuing supplies for the First Battalion of Engineers, and for the storage of the surplus ponton materials. It is under the charge of Maj. Smith S. Leach, Corps of Engineers, commanding First Battalion of Engineers.

During the year additional ponton material has been purchased, and repairs have been made to that on hand.

The reproduction of plates in connection with the Engineer Field Manual has also been in progress.

The additional operations of the depot have consisted in the purchase of photographic and drafting supplies, tools and supplies for the First Battalion of Engineers, and equipment for the engineer shop of instruction.

Details of expenditures are shown in the report of the officer in charge.

ENGINEER DEPOT, NEW YORK CITY.

Officer in charge during the fiscal year, Lieut. Edward H. Schulz, Corps of Engineers.

The Engineer Depot at Willets Point, N. Y., was closed on June 30, 1902, and transferred to Army building, New York City. All property was disposed of by transfer and condemnation. Final return for the Willets Point Depot was rendered December 31, 1902.

During the year purchases of engineering supplies of all kinds were made for the engineer equipment of troops; and instruments were purchased and repaired for use of engineer officers in charge of districts and department and division engineers.

Such purchases of submarine mining material as were authorized by the Chief of Engineers were made. On February 21, 1903, in accordance with instructions received from the Chief of Engineers, the unexpended balance of funds on account of allotments from appropriation

"Torpedoes for Harbor Defense," for purchase of submarine mining materials, etc., was deposited to the credit of the appropriation.

On December 11, 1902, a test of the Engelhardt collapsible lifeboat was witnessed at the New York Navy-Yard, and report submitted thereon to the Chief of Engineers on December 19, 1902.

Six sketching cases were manufactured on the Bower plans and specifications, and two issued to each of the three battalions of engineers for test.

Six sketching boards were manufactured on the McGregor-Harts plans and specifications, and two issued to each of the three battalions of engineers for test.

The total number of instruments repaired and average cost of same were as follows:

	Number.	Total cost.	Average cost.
Transits	78	$3,260.85	$41.81
Levels	53	1,132.15	21.36
Sextants	15	438.15	29.21
Miscellaneous instruments	91	1,044.80	11.48
Total	237	5,875.95	

Engineering and surveying supplies purchased and shipped during the fiscal year:

United States:		
Engineer officers of departments		$2,136.72
Post engineer officers		1,266.79
Engineer officers of districts		46.20
First Battalion of Engineers		741.18
Third Battalion of Engineers		101.33
Engineer depot, Washington Barracks, D. C		1,008.60
State militia		46.82
Balance of United States		589.07
Alaska		14.72
Cuba		19.35
Porto Rico		12.00
Philippine Islands (including Second Battalion of Engineers)		3,292.87
China		10.95
Total		9,286.60
I. Torpedoes for Harbor Defense, act March 1, 1901, for "Purchase of Submarine Mining Materials, etc.:"		
July 1, 1902, balance unexpended		2,075.39
June 30, 1903, amount expended during fiscal year.	$671.33	
February 21, 1903, amount deposited to credit of Treasurer United States	1,404.06	
		2,075.39
II. Engineer Equipment of Troops, 1903, act June 30, 1902:		
June 30, 1903, total of allotments received		10,323.05
June 30, 1903, amount expended during fiscal year		10,323.05
III. Engineer Equipment of Troops, 1903, act June 30, 1902, "Purchase and Repair of Instruments:"		
November 7, 1902, amount allotted		625.00
June 30, 1903, amount expended during fiscal year		625.00
IV. Engineer Depot, 1903:		
1. Act June 30, 1902, for "Instruments"—		
July 10, 1902, amount allotted		2,500.00
June 30, 1903, amount expended during fiscal year		2,500.00
2. For "Incidentals"—		
December 4, 1902, amount allotted		416.69
June 30, 1903, amount expended during fiscal year		416.69

V. Examinations, Surveys, and Contingencies of Rivers and Harbors, "Purchase and Repair of Instruments:"	
June 30, 1903, total of allotments received	$1,750.00
June 30, 1903, amount expended during fiscal year	1,301.98
July 1, 1903, balance available	448.02
VI. Gun and Mortar Batteries, act of June 6, 1902. "Purchase and repair of instruments:"	
June 30, 1903, total of allotments received	1,125.00
June 30, 1903, amount expended during fiscal year	616.73
July 1, 1903, balance available	508.27

ESTIMATES OF APPROPRIATIONS REQUIRED FOR THE ENGINEER DEPOTS FOR 1904–5.

For incidental expenses of the depots, including fuel, lights, chemicals, stationery, hardware, machinery, pay of civilian clerks, mechanics, and laborers, extra-duty pay to soldiers necessarily employed for periods not less than ten days as artificers on work in addition to and not strictly in the line of their military duties, such as carpenters, blacksmiths, draftsmen, printers, lithographers, photographers, engine drivers, telegraph operators, teamsters, wheelwrights, masons, machinists, painters, overseers, and laborers; repairs of and for materials to repair public buildings and machinery, and for unforeseen expenses	$11,500
For purchase and repair of instruments to be issued to officers of the Corps of Engineers and to officers detailed and on duty as acting engineer officers, for use on public works and surveys	5,000
Total	16,500

ENGINEER EQUIPMENT OF TROOPS AND CIVILIAN ASSISTANTS TO ENGINEER OFFICERS.

By act of Congress approved June 30, 1902, the sum of $25,000 was appropriated for the equipment of engineer troops in the field, for the procurement of pontoon trains, intrenching tools, instruments, drawing materials, etc., and the sum of $25,000 for civilian assistants to engineer officers serving on the staffs of division, corps, and department commanders to enable them to secure the employment of surveyors, draftsmen, photographers, master laborers, and clerks. Both appropriations were limited to the fiscal year 1903.

With the funds appropriated for the purposes above stated engineering supplies were furnished mainly through the United States Engineer depots for the various military departments in the United States, the Philippines, and Porto Rico, and the several engineer officers attached to important military commands and departments have been supplied with the necessary civilian assistants. Under the act $24,999.90 was allotted from the equipment appropriation, and a balance of 10 cents reverted to the Treasury. From the appropriation for civilian assistants $21,428.46 was allotted, and a balance of $3,571.54 reverted to the Treasury.

The Army appropriation act of March 2, 1903, provided $25,000 for the engineer equipment of troops and $25,000 for civilian assistants to engineer officers for the fiscal year ending June 30, 1904.

The engineer troops are now practically provided with their own pontoon equipment. The sum of $75,000 is estimated as required for the engineer equipment of troops for the next fiscal year. With this amount, if appropriated, it is designed to repair and maintain the existing ponton equipment and to procure one ponton train, consisting

of four divisions, at an estimated cost of $50,000, as a reserve for volunteer engineer troops in time of war and for maneuvers.

The sum of $25,000 is requested for civilian assistants to engineer officers for the next fiscal year.

For details of expenditures under these appropriations see Appendixes Nos. 2, 3, 4, and H H H.

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Very respectfully, your obedient servant,

G. L. GILLESPIE,
Brig. Gen., Chief of Engineers,
U. S. Army.

HON. ELIHU ROOT,
Secretary of War.

REPORT OF THE CHIEF OF ORDNANCE.

OFFICE OF THE CHIEF OF ORDNANCE,
UNITED STATES ARMY,
Washington, November 2, 1903.

SIR: 1. I have the honor to submit the following report of the principal operations of the Ordnance Department during the past year, together with certain remarks as to its interests and necessities.

2. The fiscal resources and expenditures of the Department during the year were as follows, viz:

Amount in the Treasury to the credit of the appropriations on June 30, 1902	$10,014,195.24
Amount in the Treasury not reported to the credit of the appropriations on June 30, 1902	3,965.62
Amount in Government depositories to the credit of disbursing officers and others on June 30, 1902	1,621,099.14
Amount of appropriations for the service of the fiscal year ended June 30, 1903, including the appropriation for armament of fortifications in the act approved March 3, 1903	9,578,673.72
Amounts refunded to ordnance appropriations in settling accounts during the fiscal year ended June 30, 1903	763,420.48
Gross amount received during the fiscal year ended June 30, 1903, from sales to officers, from rents, from collections from troops on account of losses of or damage to ordnance stores, from Chicago, Rock Island and Pacific Railroad Company, from powder and projectiles (proceeds of sales), from sales of condemned stores, from testing machine, and from all other sources not before mentioned	265,342.71
Total	22,246,696.91

Amount of expenditures during the fiscal year ended June 30, 1903, including expenses attending sales of condemned stores, exchange of powder, etc	9,104,098.15
Amount deposited in Treasury during the fiscal year ended June 30, 1903, as proceeds of sales of Government property	175,813.08
Amount turned into the surplus fund on June 30, 1903	248,786.48
Amount in Government depositories to the credit of disbursing officers and others on June 30, 1903	1,554,354.56
Amount transferred from ordnance appropriations in settling accounts during the fiscal year ended June 30, 1903	117,283.22
Amount in the Treasury not reported to the credit of appropriations on June 30, 1903	36,315.78
Amount in the Treasury to the credit of appropriations on June 30, 1903	11,010,045.84
Total	22,246,696.91

SALE OF OLD ORDNANCE AND ORDNANCE STORES AT ARSENALS AND FORTIFICATIONS UNDER REVISED STATUTES, 1241.

3. The proceeds of sales of condemned ordnance material at the various ordnance establishments and other military posts during the past fiscal year, amounting to $113,662.02, has been deposited in the Treasury of the United States.

REDUCTION OF APPROPRIATION HEADINGS.

4. In connection with the preceding statement of the various amounts received and expended under the above headings, your attention is invited to the fact that because of the large number of separate appropriations made for the various purposes under the control of this Department, amounting in all to approximately one hundred and sixty, the clerical labor involved in accounting for the sums appropriated under each separate appropriation is great and exacting.

5. This large number of appropriations has arisen in great measure from submitting individual estimates for specific purposes involved in the armament of fortifications and in making improvements at the various arsenals and other ordnance establishments. It places this Department at a disadvantage as compared with other bureaus of the War Department. Omitting appropriations made for certified claims, the Subsistence and Pay departments have each only one appropriation under which all public funds expended by those departments are accounted for. The amounts disbursed by the Pay Department and Subsistence Department each under one appropriation heading approximate $33,000,000 and $11,000,000, respectively. For the Signal Corps there are two appropriations, for the Medical Department there are five appropriations, and for the Quartermaster's Department there are sixteen. All the supplies issued to the Army by the Medical Department are procured from one appropriation, by the Signal Corps from one appropriation, and by the Quartermaster's Department from practically three appropriations, whereas for the issue of ordnance stores to the Army, excluding those stores issued for the armament of fortifications, there are no less than seven, and under the heading "Armament of fortifications" there are practically sixty separate appropriations. While in the other bureaus supplies may be procured and issued to the Army under the number of appropriations stated above, in this Department there is a separate appropriation for each of the following classes of stores: Ammunition, equipments, ammunition for morning and evening gun, artillery targets, small arms (and these separate appropriations are in addition to the sixty appropriations made for the armament of fortifications, and which include machine, field, siege, and seacoast cannon, with their carriages, ammunition, etc., issued to the service), and for those articles not covered by separate appropriations referred to above there is an additional appropriation called "Ordnance stores—Manufacture, etc."

6. It is very desirable to have the number of appropriations reduced so that public business can be transacted with greater facility, and at the same time the appropriations be sufficiently numerous to indicate clearly the amounts required for definite classes and groups of ordnance

and ordnance stores. While the appropriation for regular supplies, Quartermaster's Department, provides for procuring the same, it also provides for repairing and maintaining those supplies in service; whereas for the care and preservation of ordnance stores there are two specific appropriations, one for the repairs and one for the preservation of the stores. It is desired later to recommend for the consideration of Congress a reduction in the number of appropriations for the service of this Department, embodying under each appropriation separate and distinct classes and groups of ordnance and ordnance stores. In the appropriation acts for the support of the Army and for sundry civil expenses five appropriations will be recommended instead of ten, as at present. It will also be recommended that the sixty, more or less, appropriations made for the armament of fortifications be reduced to nine.

7. The appropriations will thus number fourteen only, and each appropriation will cover expenditures made for separate and distinct groups of ordnance stores and supplies.

8. The specific appropriations made for various purposes at arsenals and other ordnance establishments are, as stated above, numerous, and in the estimates submitted for the consideration of Congress legislation was recommended to provide for accounting for the separate appropriations made for each ordnance establishment under the appropriation title of that establishment. At the various arsenals the number of specific appropriations to be accounted for averages about seven, but for the proving ground the number amounts to nineteen, and these are all in addition to the regular appropriations for the service of the Department, all of which are expended at the various ordnance establishments. Even if the reduction of appropriations as recommended be enacted by Congress the number of appropriations will still be numerous, since Congress frequently makes specific appropriations for certain purposes such as prizes for target practice; Gathmann gun, Emery loading apparatus; pneumatic dynamite guns; Isham shell, etc.

PAYMENT OF EMPLOYEES.

9. At the last session of Congress an act was passed providing that all employees of the Government paid under the army appropriation act, drawing annual salaries, should be paid monthly at a rate of one-twelfth of the annual rate, and for any part of a month the rate of pay should be based upon a month of thirty days. In view of the fact that some of the appropriations disbursed by this Department are embraced in the army appropriation act, but the greater number in the act providing for the armament of fortifications and other acts of Congress, the method of computing the rate of pay of employees drawing annual salaries and employed on work authorized by appropriations contained in different acts of Congress has led to a great deal of confusion. In the estimates submitted legislation is recommended providing for a uniform system of making payments throughout the Department, which will be in harmony with the legislation enacted at the last session of Congress.

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DISPOSITION OF FUNDS RECEIVED FROM SALES AND TRANSFERS.

11. In the matter of collecting and accounting for funds received by the Department, the clerical labor is much larger than it should be by reason of the fact that the legislation governing the disposition of funds arising from the sale and transfer of ordnance stores is not uniform. While sales made to the militia of the various States are credited to the appropriations out of which the stores sold were procured, the cost of all issues to the same organizations is credited to the appropriation for the manufacture of arms at the national armories; while stores sold to officers of the Army for their personal use are credited to the appropriations out of which procured, deductions made from the pay of enlisted men on account of loss or damage to ordnance stores are credited to the appropriation for the manufacture of arms at the national armories; while the funds arising from a sale made to a State for the use of its militia are available until exhausted, the funds arising from sales made to other bureaus of the War Department and to the Executive Departments revert to the appropriations out of which procured, and have only the lifetime of these appropriations for use in replacing the stores so sold. In case of sales made to the Philippine government, Congress has provided that the funds shall be available throughout the present fiscal year only. It is apparent that these ununiform methods of accounting for ordnance property sold or transferred are very exacting, and involve a great deal of clerical work. In the estimates submitted for the consideration of the forthcoming session of Congress it is recommended that legislation be enacted to provide that all funds arising from authorized sales or transfers of ordnance stores shall constitute one fund on the books of the Treasury Department, for the purpose of replacing like ordnance stores so sold or transferred.

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DISPOSITION OF CONDEMNED CANNON, ETC.

13. The act of Congress approved May 22, 1896, provides—

That the Secretary of War and the Secretary of the Navy are each hereby authorized, in their discretion, to loan or give to soldiers' monumental associations, posts of the Grand Army of the Republic, and municipal corporations, condemned ordnance, guns, and cannon balls which may not be needed in the service of either of said Departments. Such loan or gift shall be made subject to rules and regulations covering the same in each Department, and the Government shall be at no expense in connection with any such loan or gift.

14. Under the provisions of this act donations have thus far been made to Grand Army posts, monumental associations, and municipal corporations to the extent of 967 cannon and 12,707 projectiles. The donations during the past fiscal year are shown to be 90 cannon and 1,543 projectiles.

PROPERTY RETURNS.

15. In accordance with the suggestion of this Department, Congress, at its last session, enacted that the returns of officers accountable for property of the Ordnance Department should hereafter be made semi-annually, instead of quarterly; it is still too early to say what measure of relief will result from this legislation. In fixing the period at which

property returns shall be made it is necessary to balance the saving of labor effected by longer periods against the difficulty of detecting errors, which may have occurred so far back as to have escaped the memory, and the disadvantage of officers upon field service of the necessity for carrying "live" papers with them for long periods before they can be disposed of as having been filed with a return. It is believed, however, that the six months' interval will be found substantially less onerous than that of the quarter year in time of peace; in time of war the whole subject of property accountability necessarily assumes diminished importance.

16. The following tabular statement exhibits the condition of the work at present in this division of the Ordnance Office and the amount of work done during the fiscal year:

	Number of returns not closed June 30, 1902.	Number of returns received.	Total.	Acted on during year.		Number of returns not closed June 30, 1903.
				Finally examined.	Closed.	
Arsenals and inspectors	33	59	92	67	72	20
Regular Army	3,463	9,166	12,629	8,772	9,197	3,432
Volunteer Army	123	27	150	17	49	101
Spanish war volunteers	11	26	37	19	37	
Total	3,630	9,278	12,908	8,875	9,355	3,553

CONDITION.

Awaiting final examination June 30, 1902	2,102
Awaiting result of correspondence June 30, 1902	1,528
Total	3,630
Awaiting final examination June 30, 1903	2,505
Awaiting result of correspondence June 30, 1903	1,048
Total	3,553

DETAILED STATEMENT.

Closed	9,355
Examined	8,875
Settled by correspondence	480
Awaiting result of correspondence June 30, 1902	1,528
Awaiting result of correspondence June 30, 1903	1,048
Awaiting final examination June 30, 1903	2,505
Total	3,553

17. The preliminary examination of property returns was instituted at the Manila Ordnance Depot in 1900, and has been carried on since that date with advantage to officers accountable for property in the Division of the Philippines. The examination of these returns before forwarding them to the Ordnance Office prevents any great length of time elapsing before an officer hears from his accounts, and enables him to correct with greater facility any errors that may occur, as the transactions are still fresh in his mind. He is also able to collect any necessary data which may be required from other officers concerned before they are transferred to some distant station. The returns when forwarded from Manila are in a condition to be readily settled upon arrival at Washington.

18. The following is a summary of the work done in the returns division of the depot for the past year:

Returns on hand July 1, 1902:		
Unexamined	1,190	
Examined and held for correction	359	
		1,549
Returns received during the period		3,776
		5,325
Returns sent to the Chief of Ordnance		4,213
Total on hand July 1, 1903		1,112
Total of these held for correction	111	
Total of these held for comparison	228	
Total number examined and held		339
Total number unexamined		773

DISTRIBUTION OF SUPPLIES.

19. About two years ago the Department inaugurated a system of decentralization in the matter of the issue of standard ordnance stores to the Army, and the making of certain repairs. According to this system repairs to all field batteries, except those of the breech mechanisms, are to be made by communicating direct with certain designated officers, instead of with this office. All repairs to breech mechanisms are to be made by communicating directly with the commanding officer, Watervliet Arsenal. Standard ordnance supplies for field batteries are to be furnished directly by the commanding officers of Watervliet, Rock Island, San Antonio, and Benicia arsenals, depending upon the departments in which the batteries are located. Requisitions for guns, carriages, caissons, limbers, wagons, and ammunition only are to be sent to the Chief of Ordnance.

20. The order upon the subject of the issue of supplies enumerates a large class of ordnance stores which are to be furnished directly from the arsenals upon the approval of the requisitions by the department commanders. In order to carry out the provisions of this order considerable quantities of the various articles of ordnance and ordnance stores specified were sent from the manufacturing arsenals to the Benicia, San Antonio, Augusta, New York, and Watervliet arsenals as distributing centers. In general the ordnance stores subject to direct issue from the arsenals are standard equipments for cavalry, infantry, and field artillery; horse equipments, cleaning materials, small arms, small-arms ammunition, targets and target material, reloading tools, stencil and marking outfits, arm racks, fencing implements, saddlers' materials and instruments, equipments, spare parts, and expendable material for field artillery.

21. Each of the above-named arsenals was furnished with supplies sufficient to equip 1,500 cavalry, 5,000 infantry, and two batteries of field artillery, and these arsenals were instructed to keep up the supply by timely requisitions on the Department, the only exception being Augusta Arsenal, Ga., which lacked sufficient storage room. This plan has been carried out from December, 1901, until a recent period, when, on account of the heavy calls for arms and equipments to supply the militia under the act of Congress approved January 21, 1903, the stock of magazine arms and their equipments at the several arsenals

has been temporarily reduced below the required reserve. The different orders which have issued have been consolidated in General Order No. 5 of 1903.

22. The plan has worked well in practice and has operated to the relief of this office and to improvement in the promptness with which the troops are supplied. It was inaugurated by Capt. W. W. Gibson while in charge of the supply division of the office.

CLERICAL FORCE.

23. The force of this office now consists of 67 clerks, which is 8 less than that of the last fiscal year. This force has sometimes been hard pressed to keep up the work of the office, and it has been necessary at times for parts of it to work after hours and during evenings. It is thought, however, that with the introduction of certain changes of method, whose object has been to diminish the clerical work both by better systematization and by dispensing with some that has been considered unnecessary, the force may be able to properly handle the business. I have, therefore, in accordance with the requirement of law, submitted an estimate for the same number for the coming fiscal year.

MOUNTAIN ARTILLERY.

53. The manufacture of 90 mountain guns, carriages, and pack outfits of the Vickers, Sons & Maxim system has progressed during the year with more or less delay, the principal cause being the inability of the Department to procure in this country satisfactory recuperator springs. Constant efforts have, however, been made to overcome this difficulty, and it is thought with success.

54. During the manufacture of this material certain improvements have been suggested and embodied, and the use of the material in the Philippines has indicated that desirable changes in the method of transporting it on pack mules are necessary. With a view to improving this feature, experiments were conducted at the Manila Ordnance Depot, and a pack outfit as altered was forwarded to this country for consideration by a board of officers. Among the defects noted in the Vickers, Sons & Maxim pack outfits are the following: Seat too small; insufficient bearing; insufficient stiffness and stability; weight of load can not be distributed at will of packer and must be borne principally on the side bars, and can not be arranged so that the remaining parts of the saddle give their full share of support to the load, resulting in the disadvantage of being unable to obtain the maximum value of the mule's carrying capacity; this defect also does not permit sore spots on the animal's back to be relieved by a change in the packing. The means of securing the saddle by buckles was so evidently faulty that they were changed, at first by the substitution of two canvas cinchas and later by one broad hair cincha. Straps with buckles were provided, but these were found entirely impracticable as leather straps stretch, especially when wet, and the buckles do not permit of differential adjustment and so allow the load to slip, or become entirely dislodged.

55. The system recommended by the board of officers, which will be embodied in the material under manufacture, consists of a frame fitted to the aparejo and attached thereto by the aparejo cincha, sup-

plemented by simple lashings, which take the place of the lash rope and diamond hitch. The feature of this new system is the substitution of latigo straps and rendering rings for the multiplicity of straps and buckles of the English saddle, thus permitting accurate adjustment of the lashing by differential cinching, and at the same time adding greatly to the durability of the equipment.

56. The aparejo to be used will be a modification of the regulation supplied by the Quartermaster's Department, with a view to facilitating packing. The regular aparejo requires "setting up" upon its receipt. This consists in inserting within it a large number of willow sticks, and requires the exercise of a great deal of skill and care. In the opinion of the board this "setting up" is not necessary, and with a view to securing uniformity and dispensing with the services of a skilled packer, the old style of boot sticks and willow wands are to be replaced by dressed hickory wands and basswood boot and top sticks prepared by the Department after special designs. It is to be noted that the best feature of the aparejo is its general adaptability.

SIEGE ARTILLERY.

57. The new carriage for the 7-inch siege howitzer, referred to in my last report, has given satisfactory results during the year in service. It is, however, not a finality in its class. The Department has continued its efforts with a view to preparing new designs for the rearmament of the siege artillery service; these are partially completed, and when reduced to practice will increase its efficiency, principally by increasing its rapidity of fire.

SALUTING GUNS.

58. The pieces which are at present used for saluting purposes and for firing the morning and evening guns at posts are nearly all of the old 3-inch wrought-iron type or 12-pounder bronze smooth bores. These guns are not safe, and at intervals accidents resulting from their use are reported. It has been prescribed in orders that breech-loading guns for these purposes shall be used wherever possible, but at many posts, especially those of the interior of this country and of the insular possessions, there are no such guns and the muzzle-loaders have still to be used. It would be uneconomical to take from the limited supply of breech-loading rifles which are on hand guns to be used only for saluting purposes, which would thus be withdrawn from the uses for which they were procured, and this Department has therefore made efforts to arrive at a method for utilizing the 3-inch rifles on hand by converting them into breech-loading guns at a cost which would make the change advantageous. A satisfactory method of conversion has been developed, and a suitable gun using the 6-pounder metallic ammunition can be had for a reasonable cost. The work of converting a sufficient number will be prosecuted as rapidly as funds are available. A number have been put in hand and estimate made to cover others.

CANNON, SEACOAST GUNS, AMMUNITION, ETC.

59. A number of rapid-fire guns of 6-inch caliber have been mounted during the year. These guns have a velocity of 2,600 feet per second.

There are now nearing completion forty-six 6-inch rapid-fire guns of .50-caliber length of bore, designed to give a muzzle velocity of 3,000 feet per second. Several of these guns have been completed and issued to various establishments for testing carriages under construction. All will be emplaced in the near future.

60. A firing mechanism has been developed within the year; it permits the insertion of the primer after the manner of a small-arm cartridge while the breech is open. The primer may be fired either electrically or by friction, and has the necessary safety features to prevent firing until the breech is closed and locked. Mechanisms of this design are now under manufacture for every seacoast gun and mortar in service; they are fairly satisfactory and constitute an advance over what they replace, but there is room for the improvement which is being sought.

61. One high-powered 12-inch B. L. rifle, model of 1900, has been mounted in New York Harbor and tested. This gun, firing a projectile weighing 1,048 pounds with a velocity of 2,550 feet per second, has a calculated muzzle penetration of 37 inches of face-hardened armor. Two more guns of this type are completed and eight are nearing completion. The development in high-powered guns of large caliber in recent years may be shown by comparing the muzzle energies of the 12-inch B. L. rifle, model of 1888, using brown powder, and the same for the 12-inch B. L. rifle, model of 1900. The model 1888 gun gave 28,000 foot-tons of energy at the muzzle, while the model 1900 gives 45,000 foot-tons, an increase of about 60 per cent.

62. *High explosives.*—A considerable supply of high explosives for filling shells has been secured and is being loaded into projectiles as rapidly as the present plant will admit. The installation of a loading plant for this material has been attended with some difficulty. Special machinery had to be designed and built and buildings planned to afford protection to the operators and facility for handling the heavy projectiles in quantity.

63. During the year a 12-inch mortar has been destroyed by the premature bursting in the bore of a torpedo shell charged with high explosive; the cause of the accident is believed to have been the weakness of the projectile, which was of cast steel. The use of these projectiles in the service has been discontinued as a consequence of the accident, and if further investigation shall confirm the idea now held the supply of them on hand will be expended in target practice without explosive charge. In the meantime a stronger torpedo shell will be designed, to be made of forged steel, and possibly sacrificing some of its interior capacity to the necessity for greater strength.

64. *Powders.*—Contracts for the following quantities have been let during the year: 496,637 pounds of smokeless for the various calibers of seacoast, field, and siege guns; 304,000 pounds of saluting for all calibers, and 75,000 pounds of musket powder, black, used for igniting charges with smokeless powder. Of this nearly all has been delivered and the remainder will be received in the near future.

65. The manufacture of smokeless powders is progressing satisfactorily. No modification of the composition has been made and the results obtained, although not as good as are hoped for, are believed to be equal to those given by any powder made abroad.

66. The Department has recently installed a refrigerating and heating plant at the proving ground for the purpose of investigating the

effect of heat and cold on powders, and of determining if possible the laws of variation in pressures and velocities for changes in temperature. Tests thus far made indicate that temperature has a marked effect on smokeless powders. Laboratory and proof tests during the year have led to the general revision of the specifications, the most important of which are, first, change in the heat test, which now requires the exposure of a sample for forty-eight hours to a temperature of 115° F. Under such conditions the loss in weight must not exceed 8 per cent. Second, the introduction of a compression test to determine the toughness of the colloid.

67. Retests of lots of smokeless powder that had been in store more than a year have been systematically made. From these it appears that the ballistics of most lots will change during storage, and that in general the pressures and velocities will increase. It is also noted that many lots (notably those showing lack of toughness) give very irregular results when fired under high pressures (i. e., pressures between 38,000 and 40,000 pounds per square inch). In such cases there appears to be a critical point in the pressure which when reached with a normal charge fluctuates, together with the velocity, for the same charge. To meet this the Department has recommended the reduction of the service velocities about 50 feet per second, the pressures corresponding to this reduction being sufficiently far from the "critical pressure" to insure uniform ballistic results and corresponding increase in accuracy of firing.

68. Of the elements which go to make up the power of a gun the powder must now be considered, notwithstanding comparatively recent very great advances, as being in the most backward stage. It is quite possible to construct cannon of sufficient strength to resist a pressure as high as 45,000 pounds to the square inch, and projectiles can be produced of sufficient toughness and hardness to utilize the velocity resulting from such pressures when fired against armor plate; but when it is attempted to use the powder at a pressure higher than about 38,000 pounds per square inch it is found that no certainty can be had that it will not mount to a very much higher figure, one much beyond the assured strength of the gun. Investigations for determining the exact reasons for this behavior, it is hoped, may lead to their removal. These constitute now one of the most interesting studies occupying the Department.

69. There are three depots for the storage of powders, viz, United States Powder Depot, Dover, N. J., St. Louis Powder Depot, St. Louis, Mo., and Benicia Arsenal, Benicia, Cal.

70. Owing to the scarcity of ordnance officers the inspection of powders, which heretofore has been by resident inspectors, has been accomplished by the commanding officer of the United States Powder Depot for the International, etc., and the Laflin & Rand companies by an assistant in the Ordnance Office for the works of the E. I. DuPont Company, and for the California Powder Works by an assistant from Benicia Arsenal. While it is believed that the product has not suffered by this change, the system does not commend itself as that best suited to the interests of the service and the improvement of the manufacture, and will be abandoned as soon as officers can be secured.

71. A reserve supply of smokeless powders is being issued to the seacoast forts as rapidly as suitable storage cases can be manufactured from the limited appropriations available.

72. Armor-piercing projectiles, charged with high explosives, will be issued as rapidly as the loading plant can turn them out. The total reserve on hand is only about half of what should be in the forts, and if all issued would leave none in the main depots for a general reserve.

SUBCALIBER AND DRILL PRACTICE.

73. Since my last report, subcaliber tubes have been completed for all rapid-fire guns and the manufacture of such tubes of 2.95-inch caliber for the 12-inch mortars has been commenced. This completes the equipment of the service with subcaliber tubes except as new installations may require them.

74. For both the 1-pounder and 2.95-inch subcaliber tubes large capacity point fuse shell have been designed and successfully tested. These will carry a relatively large bursting charge, thus greatly increasing the visibility of the striking point in practice; a matter of some importance in view of the difficulty of testing markmanship by noting the point of impact of these small projectiles, especially upon water.

75. Drill and subcaliber primers for both the new form of vent and for the old screw vent have been manufactured and issued for trial. Certain defects have been developed in these and steps have been taken to correct them.

76. These primers are intended to be reloaded after the manner of a small-arms cartridge. For drill and saluting purposes it reduces the cost from 65 cents for the service primer to about 4½ cents for the drill primer. As the supply of ammunition, etc., for target and subcaliber practice is limited by the annual appropriations, the large saving is apparent. One-pounder subcaliber ammunition costs about 80 cents per round. To use the service primer at a cost of 65 cents makes the cost of the latter disproportionate, and largely cuts down the allowance of subcaliber ammunition.

SEACOAST CARRIAGES.

77. The manufacture of seacoast carriages during the year has progressed without interruption to the extent permitted by appropriations made at the last session of Congress for the purpose. In addition to the limited number of carriages, being manufactured at Watertown Arsenal, contracts exist with the following private manufacturers, viz: For 15-pounder guns, carriages, and ammunition, with the Driggs-Seabury Gun and Ammunition Company and the Bethlehem Steel Company; for 6-inch barbette carriages, model of 1900, with the Builders Iron Foundry; and for 12-inch disappearing carriages, with the Midvale Steel Company.

78. Much attention has been given to the installation on seacoast gun carriages of safety switches for permitting the firing by electricity of the guns mounted thereon, also to the illumination of all azimuth and elevation scales for night service. As the matter of percussion or electric firing of guns is still under consideration, no definite conclusion in regard to the proper method of wiring carriages, nor as to the safety arrangements, has been reached.

79. The manufacture of 6-inch barbette carriages has been delayed somewhat by the failure of American spring makers to furnish satisfactory counter-recoil springs, and to a certain extent the delivery of

the carriages has been interfered with by the unsuccessful efforts of the Department to procure shields for them at satisfactory prices. The lack of success in procuring these shields, it is thought, resulted in a measure from the fact that because little experience in ballistic resistance of shields mounted on gun carriages had been had in this country, and, so far as known, little exists abroad, there was a natural hesitancy on the part of manufacturers to accept the specifications of the Department in regard thereto. It is to be noted, however, that there are but two manufacturers in this country capable of supplying them, and that owing to a press of other work there was a disinclination to take up the manufacture of these shields in limited quantities.

80. In order to obtain information in regard to their manufacture and ballistic qualities a contract was made with the Bethlehem Steel Company for five harveyized shields in accordance with plans and specifications of the Department, and one shield was delivered for trial at the Sandy Hook Proving Ground. This shield was 4½ inches thick, the extreme dimensions of the developed plate being 132 by 78 inches. The plate is bent to a cylindrical surface with a 44-inch radius and attached to the gun mount by spring supports on each side with the face inclined at an angle of 40 degrees to the horizontal. The shield, with its bolts and spring supports, weighs 10,800 pounds.

81. Fire was directed so as to subject all parts of the shield about equally to the forces arising from the impact of the projectiles, and the test included a variety of striking angles. At the conclusion of the firing the mount could be easily traversed, the pivot having received no injury. The shield remained in position, affording practically the same protection as originally, but was considerably damaged by cracks in the axial plane, which nearly divided the shield into two parts.

82. The test indicates that this shield is practically proof against penetration by projectiles of less caliber than 6 inches, since a 5-inch capped shot penetrated only 1.75 inches when fired at a simulated range of 2,140 yards for 3,000 feet per second muzzle velocity and a 48-degree angle of impact. Other 5-inch projectiles fired at a simulated range of about 3,300 yards, with a 60-degree angle of impact, produced no greater effect. With 6-inch projectiles the plate is overmatched, and may be perforated with angles of impact likely to occur in battle at ranges within about 3,000 yards.

83. These shields can be considered as efficacious and desirable for protection only against fire which is not able to perforate them. Where perforation is secured, and against the fire of heavier projectiles than 6-inch caliber, the shield, which can not be made thicker than 4½ inches in view of weight and cost, becomes an element of danger.

84. Advantage has been taken of the test of the 12-inch disappearing carriage, L. F., model of 1901, to verify the accuracy of the formulæ heretofore used in the calculation of the throttling openings of the hydraulic recoil system of gun carriages. These experiments, while not completed, indicate that the pressures in recoil cylinders have been higher than those calculated, and indicate the necessary correction to be applied to decrease this increased resistance, which is thought to be principally due to the contraction of the liquid vein in the flow of the oil through the orifices.

85. Investigations have also been made with a view of ascertaining the suitability of a mixture of water and glycerin for use in recoil cylinders of gun carriages, to replace the neutral oil used by this

Department. A mixture of glycerin and water is used abroad and in the naval service of this country. It is understood it was originally chosen because of its low freezing point, noncorrosive properties, anp cleanliness. Water has been added to govern the viscosity, and also because the affinity of glycerin for water caused the leather packing, formerly used, to become dry and ineffective. This mixture, not being greasy, is preferable to oil on shipboard, as it does not stain the decks. A mixture of 80 per cent glycerin and 20 per cent water is generally adopted for use in naval mounts.

86. One reason for making this investigation was to determine, if possible, a mixture which would be less likely to rust parts of the hydraulic system than the oil now used in our service. It is to be understood that in refining oil acids are used which must afterwards be entirely neutralized, otherwise rusting of parts will result. Under more recent specifications the Department has succeeded in procuring oil which is almost entirely free from these acids.

87. This investigation indicated that mixtures containing 50 per cent of glycerin or less are excessive rust producers. Mixtures of 80, 75, and 66 per cent produce rust slightly, and while rusting increases with the decrease of glycerin in the mixture, it is not much greater with the 66 per cent than with the 80 per cent mixture.

88. The tests indicated that neutral oil was superior to the glycerin mixture in every point except the cold test, but the latter, it is thought, will not prove a serious objection in service, as the oil ceases to flow only at zero Fahrenheit. Its noncorrosive qualities are equal to those of pure glycerin; its viscosity is more uniform than that of any glycerin mixture that may be used, and its cost is only about one-fourth of that of the glycerin mixture.

TELESCOPIC SIGHTS.

89. The telescopic sights heretofore used in our seacoast service have not been entirely satisfactory, due to a lack of proper illumination of the focal image. This lack of light is naturally seriously felt in the hazy or foggy weather which is so likely to occur on the seacoast.

90. In order to improve this feature of the telescopes there appeared to be no other remedy than to increase the diameter of the object glass to about 3 inches and, as this increased the weight of the telescope, to use stronger attachments and fastenings to insure its rigid attachment to the gun carriage.

91. The Department now has under manufacture several of these telescopic sights with increased diameter of objective which have excellent light-giving qualities and, it is hoped, will meet with favor in the service. In increasing the objective it was desirable to increase the magnifying power also, but at a sacrifice of field. In view of the open sights provided with these telescopic sights, it is thought that the small field will not be objectionable in consideration of their other excellent qualities.

92. These sights will have a 3-inch triple objective, 15-inch focal length, Brashear-Hastings erecting prisms, and two eye-pieces giving powers of 12 and 20 with a field of 4 degrees and 3 degrees, respectively. The eye end of the telescope will be provided with a rack and pinion for focusing, and with adjustable cross wires. Means have been provided for illuminating the scales at night; also for the illumination of

the image, should this be found necessary. The deflection scale is placed where it can be conveniently read, and is graduated to 0.05 degree, and to cover an arc of 2 degrees to the right and 2½ degrees to the left. All graduations are made on strips of German silver, and a range drum is attached which will be graduated for each particular gun at such time as the range scale for the gun is determined.

93. The following seacoast guns have been issued to the service during the year:

6-pounder R. F. guns	10
15-pounder R. F. guns	2
5-inch R. F. guns	15
6-inch R. F. guns	5
10-inch B. L. rifles	2
12-inch B. L. rifles	4
12-inch B. L. mortars	36
Total	74

94. The total number of guns which have been manufactured to date and have been issued or are available for issue to the fortifications is as follows:

6-pounder R. F. guns	70
15-pounder R. F. guns	119
4-inch R. F. guns	4
4.7-inch R. F. Armstrong guns	34
5-inch R. F. (Ordnance Department) guns	32
6-inch R. F. Armstrong guns	8
6-inch R. F. (Ordnance Department) guns	42
8-inch B. L. rifles	85
10-inch B. L. rifles	134
12-inch B. L. rifles	127
12-inch B. L. mortars	371
Total	1,025

95. The following seacoast gun carriages were completed by the close of the fiscal year ended June 30, 1903:

6-pounder parapet mount, model of 1898, Driggs-Seabury	70
15-pounder masking parapet mount, model of 1898, Driggs-Seabury	115
4-inch barbette carriage, Driggs-Schroeder	4
4.7-inch barbette carriage	[a] 35
5-inch barbette carriage, model of 1896, Bal. Pil. Mt	32
6-inch barbette carriage, Armstrong	8
6-inch disappearing carriage, L. F., model of 1898	29
8-inch barbette carriage, model of 1892	[b] 9
8-inch disappearing carriage, L. F., experimental	1
8-inch disappearing carriage, L. F., model of 1894	25
8-inch disappearing carriage, L. F., model of 1896	38
10-inch barbette carriage, model of 1893	11
10-inch disappearing carriage, experimental	[c] 1
10-inch disappearing carriage, L. F., model of 1894	34
10-inch disappearing carriage, L. F., model of 1896	74
10-inch disappearing carriage, A. R. F., model of 1896	3
12-inch barbette carriage, model of 1892	28
12-inch gun-lift carriage	2
12-inch barbette carriage, altered gun lift	3
12-inch disappearing carriage, L. F., model of 1896	27
12-inch disappearing carriage, L. F., model of 1897	35
12-inch disappearing carriage, L. F., model of 1901	7
12-inch mortar carriage, model of 1891	[d] 85
12-inch mortar carriage, model of 1896	[e] 306

[a] Includes one 4.7-inch Schneider carriage, temporarily mounted at Fort Hancock, New York Harbor.

[b] One in storage. [c] In storage. [d] Four in storage [e] Ten in storage.

96. As stated in my last annual report, the heavy armament of the seacoast defenses of the United States is in a very satisfactory state of advancement, and I am not therefore submitting this year any estimates for forgings for heavy guns, and am contemplating building only two carriages for heavy guns, which are already in course of construction. The rapid-fire armament still needs to be pushed with energy. The practice which produces skill in the use of the armament has now an importance greater than that of new installation, and it is desirable that its encouragement shall continue. For the current year, practice with reduced charges has been abandoned, as not representing service conditions with sufficient accuracy; the appropriations for target practice have permitted this, and it is hoped that they will continue to do so.

97. A good start has been had in the manufacture of field material of the adopted model, and it is expected that most, if not all, of the batteries of the regular service will be armed with the new guns before the close of the present fiscal year; and that the armament of the militia will follow closely upon that of the regular batteries. The material under manufacture is, however, only sufficient for these two components of the service, and there should be no diminution in the rate of manufacture for several years to come, in order that a proper reserve for the armies necessary for time of war may be created. The Department is progressing more slowly with siege material than is desirable, but is working up to the limit of its resources in personnel. A plant able to turn out a small quantity of field ammunition is installed and is capable by the addition of machinery in buildings already available of expansion so as to be able to produce ammunition at a rate which may be regarded as reasonable. Estimates of the moderate size necessary for installing the machinery have been submitted. For the manufacture of small arms and equipments the plant in the possession of the Department is now good and will shortly reach a condition which can be regarded as quite satisfactory. In the meantime, these articles are being produced in considerable quantities, which are not only supplying current needs, but accumulating a reserve for the possible necessities of the future.

98. The division of the seacoast armament for maintenance and improvement into four districts, as stated in my last annual report, has been modified during the year to form another district, consisting of the armament on Sandy Hook, which has been placed in charge of the commanding officer of the Sandy Hook Proving Ground.

99. This system for the maintenance and care of the armament has proven so efficient, and has relieved this office of such an amount of unnecessary correspondence, which has heretofore caused annoying delays, that it has been extended to include field batteries in this country and the Philippines. Under the system, when the material of field batteries is in need of repairs requiring the services of skilled mechanics of the Ordnance Department, commanding officers of batteries are authorized, with the approval of post commanders, to communicate directly with designated officers of this Department, who have been instructed to furnish mechanics and material when necessary. This system also contemplates the supplying of standard material upon requisition direct to designated officers of the Ordnance Department, without requiring the requisition to be forwarded to this office for approval.

100. The installation of the small machine shops at some of the principal seacoast fortifications, referred to in my last annual report, has progressed satisfactorily during the year and has resulted in an economical method of making repairs and alterations to the armament, without the delays heretofore experienced in the shipment of parts requiring machine work to the nearest arsenal.

DEFENSE OF INSULAR POSSESSIONS.

101. It is five years since this nation came into possession of Porto Rico, Guam, and the Philippine Islands, and up to the present time nothing has been done for the establishment of permanent defenses for their coasts and harbors. The general subject of the defense of these possessions, by all the means which might be devoted to it, is one which other branches of the Government besides this Department are concerned with, but it is proper here to make a brief statement of the relation which the permanent seacoast works of defense will bear to the general subject.

102. It may be, and probably is, true that permanent possession of the islands could not be maintained continuously against an enemy commanding the sea approaches thereto, but in the vicissitudes of war the contingency must be contemplated of a temporary loss of sea power in particular waters and the necessity recognized for providing against the occurrence of complete disaster during such interval. Political as well as military considerations, or even irresistible popular interference, might so control the motion of fleets as to disarrange the best laid plans for naval supremacy in given portions of the world; and in order to provide against the disastrous results from such very foreseeable accidents, it would seem the part of common prudence to provide works which should perform the well-understood office of fortifications—namely, to enable a smaller force to hold out against a larger one for a time. This time might be short, though invaluable, for such a small island as Guam, or one situated so near to our own coast as Porto Rico; but a territory as large as that comprised in the Philippine Archipelago, with all the resources which are to be found in those islands, might with the assistance of proper defenses for its important harbors be able to maintain itself, even, although cut off by sea, during the continuance of a short war. And if so defended, it would in any event compel for the hostile occupation of its principal centers the dispatch of a sea and land force of such magnitude as to consume a very considerable portion of the military energy of a possible enemy. Without fixed defenses it would be possible for a fleet to occupy a harbor and hold at its mercy a city, as did the American fleet with Manila in 1898. With them it would be necessary to send for the purpose an army to make a landing and operate against whatever troops there might be on shore and a superior fleet of war vessels to convoy the army to its landing point and protect its continuous stream of supplies.

103. Although it may be a question as to the extent to which the Philippine Islands themselves may be required to endure the expense necessary for the maintenance of peace and security and civil order therein, it would seem undoubted that that which is due to their equipment as an outpost guarding the interests of the United States in the Far East should be borne by the General Government. Estimates for

commencing the work of armament of seacoast fortifications therein will be submitted, which will be less in amount because of some useful guns already on hand and available.

ARMY AND NAVY MANŒUVERS.

104. The maneuvers at Portland Harbor in August, 1903, developed few defects. The 12-inch mortars were provided with the new design of firing mechanism, and, except for a weakness in the slide latch and the absence of a stop to prevent the gunner accidentally raising the safety bar out of its seat, this design was generally satisfactory. Both of the defects mentioned above are being remedied.

105. The use of blank charges in heavy guns developed an unexpected difficulty, viz: The powder pressure is insufficient to operate the gas check pad. It results that the breechblock and its recess are covered with powder residue, which after a few rounds clogs the mechanism and brings such a load on the rotating and translating devices that the latter have "cut," in some cases sufficiently to render them unserviceable. It is possible that the use of blank charges in this class of gun will have to be discontinued.

106. Numerous failures of electric primers were reported during the target practice following the maneuvers, but in nearly every case it was found that the failure was due to faulty contact or connections, outside the primer.

107. A number of 15-pounder firing pins were broken in drills prior to the maneuvers. The use of an empty cartridge in the drill obviated this difficulty, but it appears that the pins should be strengthened and steps are now being taken to this end.

108. The serviceability of the seacoast mortar as demonstrated last year has been fully sustained in target practice since, especially in the considerable amount which was had at the maneuvers. Although originally intended for fixed targets only the practice is now conducted against moving targets with marked success.

109. Shipment of the large amount of ammunition required for the maneuvers and for the extensive target practice which followed them was commenced much earlier than for the maneuvers of last year, following the lesson learned on that occasion, and was accomplished in good time.

110. The maneuvers and accompanying target practice afford a spur to the equipment of the districts concerned, an excellent test of the material which has been installed, and the most useful practice which is had, both by the regular artillery and the militia participating. It is believed that they are worth their moderate cost.

PERSONNEL.

111. In my last annual report I invited attention to the difficulty which this Department was experiencing in filling vacancies among its officers. At that time there existed twelve of these vacancies for which there were no applicants. The cause of the difficulty was the lack of inducement offered, under the law then existing, for officers to seek service in the Department. It was stated that it would be necessary either to lower the standard of the personnel or to increase the inducement.

112. In order to meet the situation, the House of Representatives placed in the bill making appropriation for the support of the Army legislation as follows:

> And hereafter details for service in the Ordnance Department under the provisions of the act of February first, nineteen hundred and one, may be made, from the Army at large, from the grade in which the vacancy exists, or from the grade below: *Provided*, That no officer shall be so detailed except upon the recommendation of a board of officers serving in the Ordnance Department, senior to the eligible grade, and after at least one examination, which shall be open to competition: *And provided further*, That officers so detailed for service in the Ordnance Department in grades below that of lieutenant-colonel shall not be again eligible for such detail until after they shall have served for at least one year out of that Department.

This measure would have involved no special consideration for anybody whatever; it would have invaded no privilege or prerogative, and it would have entailed no increase of expense. It is believed that it would have effectively accomplished its purpose, but it was changed in the Senate so as to limit the grades in this Department which could be filled by detail from the grade below in the Army at large to that of first lieutenant, and to strike out the provision reducing the present interval of two years which is required between successive details in the Ordnance Department to one year; and as thus changed it became a law. Being but a partial measure of relief it had only partial effect; all advancement from service in the Ordnance Department would cease after an officer should have passed the grade of second lieutenant, and the two-year interval still prevents the following of the profession of constructor of ordnance as the officer's life work. For the 14 vacancies to which the number in the Department had grown in the meantime there were, after the passage of the act, 10 applicants; all of these were examined, and 3 were detailed for duty in the Department. The shortage has in the meantime increased to 19, of which 17 arise from natural depletion and 2 by the detail of officers of the Department in the General Staff. This number is a ruinous proportion in a busy corps of only 71 authorized officers.

It is evident that the inducements have not been sufficiently increased to tempt officers, of whom there is an abundance in the service capable of meeting the requirements, to prepare themselves for the examination, which, to be discriminating and effective, must be difficult, and to undertake the laborious duty which would be incident upon success. The subject, in that it affects all the work of this department, is the most important one before it. It is necessary that experts be trained in the special branch of mechanical engineering which constitutes the work of the department. If they can not be induced to take up the work in the service, such policy with relation to private manufacturers must be adopted as will make it worth their while to train a designing staff properly equipped to meet the necessities of the Government, or high-priced civilian engineers must be employed. The Ordnance Department is not now meeting these necessities, in that progressive production of new designs is lagging, and is not properly fulfilling the purpose for which it is maintained. The discussion of the situation which I presented in my last annual report set forth the needs of the department, and the considerations in support of the method by which I thought that they should be met, as strongly as I am able to put them. Since that time the conditions have changed only in being accentuated. Without repeating here that which was said fully at

that time, I will quote the final words upon the subject, which describe the situation as it stands to-day:

An honest effort has been made to supply the Ordnance Department with proper officers under existing law. The effort has failed, and something else must be tried. The personnel of the arsenals has been reduced to the smallest number of officers which can carry on the administration of the business which is conducted at them, the details of which form the daily work which is imperative and to which that of possibly higher class must yield. As has appeared above, needed designs are not in progress for lack of officers, of whom there should be many more working upon problems of ordnance development. More vacancies will shortly be created in the department. They can be speedily and advantageously filled by holding out something to the eligible body of officers, which contains abundant talent. This subject has been dealt with at much length, because we can not afford to wait for the demonstration—in discovery in the time of need of the inadequacy of material produced during the period of preparation—of the reduced efficiency of the department charged with the production of the most expensive and most characteristic of war supplies. There being no immediate penalty for being wrong either in making poor recommendations or in failure of action upon good ones that sense of responsibility which recognizes the liability to be called to account is apt to be inactive, and needs the reenforcement of careful discussion.

ISSUES TO THE MILITIA.

113. There are now three laws under which issues are made to the militia: Paragraph 1661 of the Revised Statutes as amended; the act to promote the efficiency of the militia, and for other purposes, approved January 21, 1903, and the act making appropriations for the support of the Army, approved March 2, 1903.

114. The act of January 21, 1903, provided as follows:

SEC. 13. That the Secretary of War is hereby authorized to issue, on the requisitions of the governors of the several States and Territories, or of the commanding general of the militia of the District of Columbia, such number of the United States standard service magazine arms, with bayonets, bayonet scabbards, gun slings, belts, and such other necessary accouterments and equipments as are required for the Army of the United States, for arming all of the organized militia in said States and Territories and District of Columbia, without charging the cost or value thereof, or any which have been issued since December first, nineteen hundred and one, or any expense connected therewith, against the allotment to said State, Territory, or District of Columbia, out of the annual appropriation provided by section sixteen hundred and sixty-one of the Revised Statutes, as amended, or requiring payment therefor, and to exchange, without receiving any money credit therefor, ammunition, or parts thereof, suitable to the new arms, round for round, for corresponding ammunition suitable to the old arms theretofore issued to said State, Territory, or District by the United States: *Provided*, That said rifles and carbines and other property shall be receipted for and shall remain the property of the United States and be annually accounted for by the governors of the States and Territories as now required by law, and that each State, Territory, and District shall, on receipt of the new arms, turn in to the Ordnance Department of the United States Army, without receiving any money credit therefor, and without expense for transportation, all United States rifles and carbines now in its possession.

To provide means to carry into effect the provisions of this section, the necessary money to cover the cost of exchanging or issuing the new arms, accouterments, equipments, and ammunition to be exchanged or issued hereunder is hereby appropriated out of any moneys in the Treasury not otherwise appropriated.

115. There were issued to the militia between the date December 1, 1901, and that of the passage of the above-mentioned act arms and equipments covered by the section quoted to the amount of $153,723.74, which had been charged to the quotas of the several States and Territories under paragraph 1661 of the Revised Statutes.

This amount has been refunded to the appropriation for arming and equipping the militia from the United States Treasury.

116. During the time necessarily occupied in securing information required for putting into effect the act of January 21, 1903, there were issued to six different States, the Territory of Arizona, and the District of Columbia material covered by the act to the amount of $183,169.85, which sum was charged to the quotas of the several States under paragraph 1661 of the Revised Statutes. This amount has also been refunded to the quotas of the States from the United States Treasury.

117. Under this act there have been issued to the militia free of charge a total number of 69,063 magazine rifles and 3,605 carbines, with accompanying accouterments and equipments, the whole aggregating in value $1,269,488.06. The work of issuing this large amount of stores and of collecting and arranging the information necessary for presentation to the Treasury Department, in order to procure the settlement of accounts for refundment to the appropriation for arming and eqipping the militia, has thrown a considerable burden on the clerical force of this office; but it has been performed in such manner as to insure the least possible delay in supplying the militia with the stores to which they became entitled under the act.

118. The act of March 2, 1903, provides as follows:

> That for the purpose of furnishing the necessary articles requisite to fully arm, equip, and supply each regiment, battalion, squadron, company, troop, battery, signal, engineer, and hospital corps and medical department of the organized militia of the several States, Territories, and the District of Columbia with the same armament and equipment as are now prescribed for corresponding branches of the line or staff in the Regular Army, without cost to said States, Territories, or the District of Columbia, but to remain the property of the United States, and to be accounted for in the manner now prescribed by law, the Secretary of War is hereby authorized, under such regulations as he may prescribe, on the requisitions of the governors of the several States and Territories, or the commanding general of the militia of the District of Columbia, to issue the said armament and equipment to the organized militia; and the sum of two million dollars is hereby appropriated and made immediately available until expended for the procurement and issue of the articles constituting the same.

119. Of the $2,000,000 appropriated, $700,000 have been allotted by the Secretary of War for the procurement of field material of the newly adopted model for issue to the militia in order to carry out the provision of the law that the armament of these troops shall be in all respects the same as that of the Regular Army. This amount is enough to procure sixteen batteries, and it is hoped that most of these will be in the possession of the militia before the end of the present fiscal year.

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Very respectfully,

WILLIAM CROZIER,
Brigadier-General, Chief of Ordnance.

The honorable SECRETARY OF WAR.

REPORT OF THE CHIEF SIGNAL OFFICER.

WAR DEPARTMENT, SIGNAL OFFICE,
Washington, October 3, 1903.

SIR: I have the honor to submit herewith my annual report covering operations of the Signal Corps of the Army for the fiscal year ending June 30, 1903.

For convenience of reference field operations of the Signal Corps are treated in this report geographically under the various headings of Alaska, the Philippines, and the United States.

ALASKAN TELEGRAPH SYSTEM.

Owing to the serious illness of the signal officer, Department of the Columbia, which necessitated his relief during the year, and the scarcity of officers, the supervision of the construction of the Alaskan telegraph system was necessarily assumed by the Chief Signal Officer of the Army in person.

During the year the system of military telegraph lines and cables in Alaska, provided for by the act of Congress of May 26, 1900, has been completed. The entire system consists of 1,740 miles, as set forth in the inclosed table.

	Intermediate.	Total.
YUKON SECTION.		
Nome	0	0
Fort Davis	4	4
Safety Harbor	20	24
St. Michael (cable)	133	157
Golsovia	35	192
Unalaklik	30	222
Old Woman	50	272
Kaltag	45	317
Nulato	40	357
Koyukuk	30	387
Grimkop	20	407
Louden	30	437
Melozi	35	472
Kokrines	38	510
Birches	40	550
Fort Gibbon	55	605
Cosna	45	650
Baker	25	675
Tolovana	37	712
Victoria	55	767
Chester	48	815
Fairbanks	10	825
Salcha	37	862
Goodpasture	60	922
Central	32	954
Summit	58	1,012
Ketchumstock	54	1,066
FORT EGBERT SECTION.		
Fort Liscum	0	0
Lowe River	5	5
Valdez	3	8
Keystone	12	20
Saina	19	39
Teikhell	24	63
Tonsina	24	87
Copper Center	25	112
Kulkana	26	138
Talsona	20	158
Chistochina	20	178
Cheslotta	26	204
Mentasta Pass	20	224
Big Tokio	20	244
Tanana Crossing	31	275
Denison Creek	25	300
Ketchumstock	30	330
Gold Creek	11	341
North Fork	19	360
Champion Creek	39	399
Fort Egbert	29	428
RAMPART SECTION.		
Fort Gibbon	0	0
Rapids	35	35
Rampart	40	75
Glen	35	110
Baker	15	125
CABLE DISTANCES.		
Skagway	0	0
Haines Mission	20	20
Juneau	101	121

The connection between the Yukon section and the Fort Egbert section was made on June 20 near Salcha, in the valley of the Tanana.

The work of construction has been under the general charge of Capt.

George C. Burnell, Signal Corps, assisted by First Lieut. George S. Gibbs, of the Signal Corps, working in the valley of the Tanana, and First Lieut. William Mitchell, of the Signal Corps, working from Ketchumstock through the valley of the Goodpasture.

Special credit is due Captain Burnell for the ability, energy, and resourcefulness with which, through three long years, he has labored in Alaska from the initiation of the enterprise to its completion. His labors have been splendidly seconded by the assiduous and successful efforts of Captains Mitchell and Gibbs.

Very early springs, late autumns, enormous snowfalls, summer floods, impassable canyons, and, last of all, a gold fever which stripped one officer of every civilian employee save one, have alternately impeded progress, but with energy and resourcefulness these officers have met and surmounted difficulties which seemed insurmountable. Lieutenant Gibbs pushed a line up the Tanana along a route pronounced impracticable, while Lieutenant Mitchell carried his surveys and line along the Goodpasture, across a country that had never before been trodden by the foot of a white man. Captain Burnell's work from the sea to Mentasta Pass, most difficult, commands the admiration of everyone familiar with this almost impassable trail.

It is impossible to adequately set forth the tremendous difficulties under which Alaskan military telegraph lines have been constructed and maintained. In general, it is to be premised that not 20 miles of constructed wagon road exists in the country traversed. As a rule, all material has been sledded into the interior in midwinter or carried by pack animals over the roughest imaginable trails. Conditions were so difficult that some coils of wire were carried 145 miles by pack. The magnitude of the work may be inferred by the statement that from Fort Egbert alone, between November 20, 1902, and June 30, 1903, no less than 220 tons of supplies and material were sledded or packed into the interior, it being impossible to move a ton by wagon.

The construction parties, consisting almost entirely of enlisted men of the Signal Corps and of the line of the Army, worked steadily the entire winter, although the conditions under which field work was done were of the most hazardous and appalling character. As an illustration may be mentioned the fact that from November 1 to the end of the winter, by official reports, 60 feet and 11 inches of snow fell at Fort Liscum, adjoining the Copper River Valley.

In the interior, while the snowfall was very much less, being only 4 feet 4 inches at Egbert, yet continued and terrible cold made camp life and construction work almost insupportable. The mean temperature at Fort Egbert from November to February, inclusive, a period of four months, was 2° below zero. There were prolonged periods of extreme low temperature when the mercury remained frozen, the minimum of 61° below zero occurring in January. While the past winter is believed to have been the most severe in Alaska for many years, yet such was the resourcefulness and endurance of the American soldier that the work of construction in the valley of the Tanana was carried on the entire winter without loss of life and with only one serious case of freezing.

The cold and snow of the winter were, strangely enough, more favorable to completing the system than were the morasses and fires of summer. The final completion of the telegraph system was made just as an

extensive forest fire devastated the upper valley of the Tanana, burning thousands of square miles of valuable timber and destroying more than 100 miles of telegraph line. The damage was the more serious in that the 100 miles of line destroyed were burnt out not as a whole section, but at various points along the distance of 250 miles over which the fire extended.

Nor has repair work been less trying and dangerous along lines in operation in the Yukon and Tanana valleys. One Signal Corps man was drowned; of the line of the Army one was drowned, one frozen to death, and one crippled for life. In addition, the monotonous life at the desolate interior stations caused two suicides of Signal Corps operators.

It is doubted whether in the peaceful annals of the Army there have been met with nobler fortitude by the enlisted men equal conditions of hardship and privation. It is to be understood that the line of the Army has displayed in this work the same energy and endurance as the Signal Corps. Uncomplainingly and unremittingly the enlisted men of the line have met the adverse conditions of Alaskan life, encouraged thereto by such officers as Capt. E. T. Wilson, Corps of Artillery; Capt. Frederick Perkins, Eighth Infantry, and First Lieut. J. B. Allison, Seventh Infantry. To the effective cooperation of these and other officers is due in a large degree the early and successful completion of the Alaskan system.

The admirable qualities of the American soldier is illustrated by the fact that in this Alaskan work the enlisted men, receiving pay ranging from $15.60 to $54 per month, has equaled in his output and resourcefulness the work done by civilian laborers at his side receiving for the same work $80 and their board. Discouraging as was this condition, it was faced creditably and manfully.

The cooperation of the line of the Army was originally insured through the good offices of Gen. George M. Randall, commanding the Department of the Columbia, on whose recommendation the lines were built. His successor, Gen. Frederick Funston, has continued the same policy and invariably extended his courteous and indispensable assistance in all matters relating to signal corps work in Alaska.

While communication is now had regularly by telegraph between the civilized world and the Yukon Valley westward to St. Michael, yet restoration of communication with Nome has so far proved impracticable. The cable between Nome and St. Michael was so badly injured by ice, some 40 miles having been carried away, that its repair was impossible, within the limits of the available appropriations, to meet the urgent recommendations of the commanding general, Department of the Columbia. Efforts are being made, with prospects of success in 1904, to establish communication by wireless telegraphy between St. Michael and Nome across Norton Sound, a distance of 108 miles.

The maintenance of the Alaskan telegraph lines is a task that will necessarily entail a heavy burden both on the Signal Corps of the Army and on the garrisons in Alaska. The original plan properly looked to three men at each station, two from the line and one from the Signal Corps. As the telegraph system has been extended, the number of enlisted signal men has been increased until 21 per cent of the Corps is now engaged in Alaskan service. Meanwhile the strength of the

Alaskan companies of the line has been reduced until it is almost impossible to spare more than one man for each station. Such conditions are dangerous in the extreme in a country where one man can rarely travel in safety in winter. The hazardous and difficult conditions make it of the utmost importance that the four companies of the line, those stationed at Fort Liscum, Fort Egbert, Fort Gibbon, and Fort St. Michael, be increased to 100 men at the earliest practicable date.

The commanding officers at Forts Liscum, Egbert, and Gibbon, in the order named, have the most difficult work in supplying rations and men for their respective sections. The presence of signal officers at Egbert and Gibbon improve the conditions materially at those points, but from Liscum north to Mentasta the important work has devolved on the commanding officers at the post, whose efforts have been successful.

It is not, perhaps, appreciated that every telegraph station is necessarily furnished with food and other supplies covering at least one year in advance, as otherwise the men would be liable to perish of starvation. The necessary material and supplies, including dog food, has to be furnished by sleds in midwinter or by pack animals in summer, save for stations situated on the Lower Tanana and Lower Yukon, which can be supplied by boat in summer. In short, the difficulties of the situation can only be appreciated by those having had extended personal experiences in the interior of Alaska, where the conditions are enormously more difficult than along the usual lines of travel.

SOUTHEASTERN ALASKA.

In accordance with the recommendations of the Secretary of War in his last annual report, Congress authorized the connection of Seattle by cable with southeastern Alaska, where the military posts of Skagway and Haines Mission are now reached telegraphically over Canadian lines.

The appropriation of $485,000 was not made until March 3. At first sight it seemed practically impossible to install this cable or any part of it prior to the winter storms of 1903, which seemed to defer communication until the late spring of 1904.

The conditions were as follows: The one cable ship under military control, the U. S. transport *Burnside*, was undergoing repairs in China, while the condition of the Philippine cables demanded her presence for a time in the Philippine Archipelago. The route between Sitka and Seattle was unsurveyed. Neither cable instruments, nor even tackle in time could be obtained in America, so that the important and complicated machinery for handling the cable and the delicate instruments for operating the cable had to be planned in detail and made to order in Great Britain.

As to the cable itself, the limited appropriation properly restricted it to domestic manufacture, but being the longest cable ever undertaken in America (1,300 miles), and for a greater depth than that in which any domestic cable had ever been laid, its manufacture, inspection, and transportation involved difficulties more intricate than had surrounded any previous cable work of the Signal Corps. While the cable was to be manufactured in the vicinity of New York City, yet it was necessary to transport it some 16,000 miles around Cape Horn,

under such conditions as to storage and care as to insure its delivery, in perfect condition, to the cable ship *Burnside*, which was to receive it in Seattle Harbor.

There were no electrical engineers of cable experience in the United States who were not already engaged under conditions which made it impossible for their employment by the Signal Corps, hence electrical engineers had to be selected and trained by officers of the Signal Corps, experts in cable work. Finally, it was necessary to select and train in the complicated profession of cable telegraphy selected men of the Signal Corps. This work alone was one which it was asserted would require a year's training and practice to insure successful operation.

The installation was undertaken, however, with the determination to meet, if possible, the urgent desire of the Secretary of War, that at least one section of this cable should be in operation by the time Congress met in December, 1903.

The Chief Signal Officer selected for this important work two signal officers whose cable experiences in the Philippines, in addition to their general knowledge of electrical engineering, peculiarly fitted them for the work in hand. These officers were Lieut. Col. James Allen, to whom was intrusted the entire charge of the administrative and technical work and provisionary measures that should make the work a success, and Capt. Edgar Russel, who drew the specifications for the manufacture of the cable, a work requiring unusual professional knowledge and sound judgment, particularly as the limited appropriation made the work of obtaining a first-class cable thereby one of unusual difficulty. Captain Russel also organized the inspecting force, instructing electrical engineers of the Signal Corps, at whose head, fortunately, was Mr. Townsend Wolcott, an electrical engineer of marked ability and great practicality. In short, nearly all the theoretical work was intrusted by Colonel Allen to Captain Russel. Through the courtesy of Mr. George G. Ward, of the Commercial Cable Company, the services of Mr. A. B. Macmillan were obtained for the instruction of the enlisted men of the Signal Corps, selected carefully for training as cable operators. Dr. Alexander Muirhead, one of the recognized cable experts of the world, although unable to give his assistance in installing the cable instruments, permitted his principal expert, Mr. R. H. Edgar, to assist in this installation for several months.

It is thus evident that the question of bringing together from China, from England, and from New York and elsewhere, men, instruments, and cable, at definite points in Alaska on a definite day, involved endless complications. Such energy and ability were displayed, not only by the officers of the Signal Corps but also by the Quartermaster-General and the subordinate officers of his department, that the programme outlined in May has been substantially carried out without a break, saving an unavoidable delay of three weeks of the commercial steamer transporting the first installment of the cable, 563 miles.

The route from Seattle to Sitka was surveyed, through the courtesy of Superintendent Otto H. Tittmann, of the Coast and Geodetic Survey, by Capt. J. F. Pratt, of the Coast Survey steamer *Patterson*. Superintendent Tittmann also furnished the valuable services of Mr. Ferdinand Westdahl for astronomical and position work.

The *Burnside*, repaired at Shanghai, completed cable work in the Philippines as far as the limited stay would permit, and reaching Sitka

on July 7 laid a cable of 17 miles, which had been transported overland by rail to Seattle, between Skagway and Haines Mission, thus bringing in direct telegraphic communication the only two military posts in southeastern Alaska.

Later, pending the arrival of the commercial steamer, cable offices were installed at Juneau, Sitka, and Seattle, at which latter place the newly trained cable operators of the Signal Corps were put under thorough drill and practice.

The cable, in charge of an electrical engineer of the Signal Corps during its long journey from New York to Seattle, was received in first-class condition and transferred, without incurring demurrage, to the cable ship *Burnside*. The cable ship was under charge of Capt. Chas. DeF. Chandler, of the Signal Corps, whose cable experience in the Philippines made him particularly valuable for this work. His services were supplemented by those of Capt. George C. Burnell, Signal Corps, and most efficient cable engineers, Henry T. Winters and David Lynch. There had also been employed and brought from Manila, with much trouble, the skilled Filipino cable men who had been trained in cable work by the Signal Corps in the Philippine Archipelago.

The *Burnside* sailed from Seattle on September 14, with Lieut. Col. James Allen in charge, and Capt. Edgar Russel, arriving in Juneau on September 22. The delay to the commercial steamer for three weeks in San Francisco was most unfortunate, as it involved cable operations in the intricate inland passage in high latitudes in rapidly shortening days. Some 40 miles below the point where the *Islander* was wrecked by striking an iceberg with large loss of life, the *Burnside* struck, during the night, a low submerged berg, which broke and cracked several plates on her bow. The conduct of the entire personnel was reported by Lieutenant-Colonel Allen to have been admirable, both at the time of the accident and later. With his usual sound judgment, Colonel Allen decided to there begin laying cable toward Juneau, and, buoying the end, the *Burnside* laid 40 miles of cable to Juneau without any repairs. Through the resourcefulness of the Engineer Department, and particularly of Chief Engineer A. J. Rick, repairs were made at Juneau, and later of a more permanent character at Sitka.

As soon as the weather permitted the *Burnside* resumed cable operations from Juneau, and laying the cable successfully opened a cable office at Sitka on October 2, thus bringing the nearest port of the American continent on the Asiatic coast into telegraphic communication with the rest of the world. The *Burnside*, now at Sitka, is confronted by the stormy season, but utilizing occasions of fair weather will lay the remainder of the cable now on board and buoy its end off Queen Charlotte Islands, and then return to Seattle for the rest of the cable.

The remaining 780 miles of finished cable left New York by commercial steamer on August 22, and if the same good fortune follows the cable operations in November as have marked this Alaskan work to the present time, the cable will be landed in Seattle by October 25 and the cable laid some time during the month of December, unless there are unforeseen delays on the part of the commercial steamer.

Despite the incompleteness of the Alaskan system until the end of the fiscal year, the lines have transmitted a large amount of business.

Although the local tariffs are very low, there has been received for the transmission of commercial messages, tariffs aggregating $6,065.13, which has been deposited, as required by law, in the Treasury of the United States. In addition, messages for the officials of the Government have been transmitted free to a total amount of tariff value of $20,912.56. There has been collected and turned over to the commercial lines by officers of the Signal Corps the sum of $8,178.41. The commercial lines have also profited to the extent of $12,200.78 for official messages paid for by the Quartermaster's Department or prepaid at the point of origin.

ALASKAN CABLE EXTENSIONS.

The connection by submarine cable of the detached system in southeastern Alaska of 1,490 miles with that of the Yukon district, 1,619 miles, is strongly recommended as in the public interests, not only as of strategic value, but as also in connection with the development of Alaska.

While the cable system of southeastern Alaska will bring the military posts of Skagway and Haines Mission in direct telegraphic communication, over purely American lines, with the department commander, yet it is now impossible to reach any garrison west of the one hundred and forty-first meridian except by means of the Canadian government lines, extending from the international boundary near Skagway to the one hundred and forty-first west meridian near Fort Egbert. The inclosed map shows the situation, the shaded portion indicating the region of the Canadian lines on which the Government of the United States is necessarily dependent in its telegraphic communication with the Prince William Sound, the Tanana Valley, the great valley of the Yukon, and the Nome region. For the completion of the Alaskan cable system and the continuance of the work provided for during the present fiscal year there has been incorporated in the estimates an item of $321,580 for the purpose of constructing, installing, and operating the cable from Sitka to Fort Liscum. This when completed will bring all of Alaska into direct telegraphic communication over American lines with the United States.

REORGANIZATION OF THE SIGNAL CORPS.

The Signal Corps, by law, is composed of one brigadier-general, one colonel, two lieutenant-colonels, six majors, eighteen captains, and eighteen first lieutenants. There were, on June 30, 1903, twelve vacancies in the grade of first lieutenant, since which date ten officers from the line of the Army have been detailed to the Corps. The following is a roster of the Signal Corps:

No.	Name and rank.	Stations and duties. (Foreign service since appointment as regular officer.)	At present station since—
	Chief Signal Officer, brigadier-general.		
1	ADOLPHUS W. GREELY	Washington, D. C.; foreign service (inspection duty), one year.	
	Colonel.		
1	H. H. C. Dunwoody	Commanding officer, signal corps post, Fort Myer, Va.; duty in Cuba, Dec. 22, 1898, to May 24, 1901.	Oct. 1, 1903

No.	Name and rank.	Stations and duties. (Foreign service since appointment as regular officer.)	At present station since—
	Lieutenant-colonels.		
1	James Allen	S. S. Burnside, Alaskan cable operations; duty in Cuba and Cuban waters, May 29 to July 21, 1898; in Porto Rico, July 26 to Sept. 1, 1898; in the Philippines, Dec. 19, 1899, to Mar. 12, 1902.	Aug. 11, 1903
2	Richard E. Thompson	Signal officer, Department of the Columbia, Vancouver Barracks, Wash.; duty in Philippines, July 25, 1898, to Dec. 29, 1899.	Aug. 10, 1903
	Majors.		
1	George P. Scriven	Office Chief Signal Officer, Washington, D. C.; in charge Signal Corps exhibit at the Louisiana Purchase Exposition, St. Louis, Mo.; duty in the Philippines, Aug. 21 to Sept. 2, 1898; Nov. 23, 1899, to July 17, 1900, and Dec. 9, 1900, to May 22, 1901; in Cuba, Feb. 6 to Aug. 5, 1899; in China, Aug. 2 to Nov. 25, 1900.	June 27, 1901
2	William A. Glassford	Chief signal officer, Division of the Philippines, Manila, P. I.; duty in Porto Rico, July 31, 1898, to Jan. 22, 1901; in Alaska, Aug. 18 to Dec. 7, 1901; in the Philippines since Feb. 17, 1902.	Feb. 17, 1902
3	Joseph E. Maxfield	Signal Corps post, Fort Myer, Va.; duty in Cuba, June 22 to July 29, 1898, and Dec. 16, 1898, to Jan. 14, 1899; in the Philippines, June 26, 1899, to July 1, 1900; in Alaska, May 27 to Aug. 18, 1902.	Aug. 1, 1903
4	Frank Greene	Signal officer, Department of Luzon, Manila, P. I.; duty in Cuba, June 22 to Sept. 12, 1898; in Alaska, Aug. 2, 1900, to July 14, 1902; in the Philippines since Sept. 26, 1902.	Oct. 2, 1902
5	Samuel Reber	Washington, D. C., on duty with War Department general staff; duty in Porto Rico, July 25 to Sept. 13, 1898; in Cuba, Jan. 6 to Oct. 1, 1899.	Aug. 15, ——
6	George O. Squier *Chief of the telegraph and cipher bureau of the Executive Office, with the rank of major.*	Signal officer, Department of California, San Francisco, Cal.; duty in the Philippines, Dec. 6, 1900, to June 14, 1903.	July 10, 1903
	Benjamin F. Montgomery	On duty at the White House, Washington, D. C.	Apr. 24, 1901
	Captains.		
1	Edgar Russel	Juneau, Alaska, engaged in installing the Alaskan cables; duty in the Philippines, Aug. 24, 1898, to Apr. 22, 1901.	July 11, 1903
2	Edward B. Ives	On sick leave of absence since July 2, 1903; duty in the Philippines, June 13, to Aug. 9, 1901.	
3	Eugene O. Fechet	Signal officer, Department of the Visayas, Iloilo, P. I.; in the Philippines since Oct. 17, 1901.	Oct. 1, 1902
4	Charles McK. Saltzman	Signal officer, Department of Mindanao, Zamboanga, P. I.; duty in Cuba, June 24 to July 6, 1898; in the Philippines since Mar. 21, 1902.	Feb. 20, 1903
5	Benjamin F. Montgomery	(Serving as chief of the telegraph and cipher bureau of the Executive Office, with the rank of major.)	Apr. 24, 1901
6	Daniel J. Carr	Disbursing officer, Signal Corps, Washington, D. C.	Mar. 15, 1902
7	Carl F. Hartmann	Manila, P. I.; in the Philippines since May 26, 1901; on leave from the Philippines from Oct. 8, 1902, to Jan. 31, 1903.	May 26, 1901
8	George C. Burnell	Juneau, Alaska, in connection with the installation of Alaskan cables; in Alaska since June 24, 1901.	July 15, 1903
9	Leonard D. Wildman	Washington, D. C.; on temporary duty at New London, Conn., in connection with wireless telegraph installation, since June 5, 1903; duty in the Philippines, May 9, 1901, to Oct. 1, 1902.	Dec. 1, 1902
10	Charles B. Hepburn	Signal Corps post, Fort Myer, Va.; on detached service in connection with Army maneuvers at West Point, Ky., and Fort Riley, Kans.	Dec. 16, 1902
11	Otto A. Nesmith	Eagle City, Alaska; duty in Cuba, May 17, 1901, to May 20, 1902.	July 10, 1903
12	Walter L. Clarke	Seattle, Wash.; duty in the Philippines, May 9, 1901, to Apr. 22, 1902; in Alaska, Sept 27, to Oct. 9, 1902.	Aug. 14, 1903
13	Basil O. Lenoir	Acting as signal officer, Department of the East, Army Building, New York City; duty in the Philippines, May 8, 1901, to Aug. 8, 1902.	Sept. 22, 1903
14	William Mitchell	Signal officer, Department of the Colorado, Denver, Colo.; duty in Alaska, Nov. 10, 1901, to July 27, 1903.	Aug. 24, 1903
15	Henry W. Stamford	Signal Corps Post, Fort Myer, Va.; duty in China, Apr. 27 to May 27, 1901; in the Philippines, June 5 to Sept. 2, 1901.	Feb. 10, 1902
16	Charles S. Wallace	Manila, P. I., as superintendent telegraph division of the Philippines constabulary; under orders to proceed to San Francisco, Cal., to take effect Nov. 1, 1903; in the Philippines since May 24, 1901.	Sept. 29, 1902

No.	Name and rank.	Stations and duties. (Foreign service since appointment as regular officer.	At present station since—
	Captains—Continued.		
17	George S. Gibbs	On detached service in connection with Army maneuvers at West Point, Ky., and Fort Riley, Kans.; duty in Alaska, July 6, 1901, to July 25, 1903.	Sept. 16, 1903
18	Charles DeF. Chandler	Quartermaster on transport Burnside, serving as cable ship in Alaskan waters; duty in the Philippines, Sept. 26, 1901, to June 10, 1903.	July 6, 1903
	First lieutenants.		
1	Herbert J. Brees	Detailed from Twelfth Cavalry, Sept. 17, 1903, for duty with the Signal Corps; not yet reported.	
2	Richard O. Rickard	Fort Gibbon, Alaska; duty in the Philippines, May 26, 1901, to Mar. 23, 1902.	
3	Frank E. Lyman, jr	Signal Corps Post, Fort Myer, Va.; on detached service in connection with Army maneuvers at West Point, Ky., and Fort Riley, Kans.; duty in the Philippines, May 27, 1901, to Nov. 23, 1902.	Feb. 10, 1903
4	Mack K. Cunningham	Manila, P. I.; in the Philippines since July 29, 1902.	May 2, 1903
5	Alfred T. Clifton	St. Michael, Alaska; duty in the Philippines, May 26 to Sept. 16, 1901.	Sept. 16, 1903
6	Henry S. Hathaway	Signal Corps Post, Fort Myer, Va.; on detached service in connection with Army maneuvers at West Point, Ky., and Fort Riley, Kans.; duty in the Philippines May 9, 1901, to July 17, 1902.	Dec. 6, 1902
7	Otto B. Grimm	Manila, P. I.; in the Philippines since July 4, 1902; duty in Alaska July 1, 1901, to Mar. 1, 1902.	July 31, 1903
8	Alvin C. Voris	Detailed from Eighth Infantry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
9	George E. Kumpe	Detailed from Twenty-eighth Infantry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
10	Gordon Johnston	Detailed from Fifteenth Cavalry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
11	E. Alexis Jeunet	Detailed from First Infantry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
12	John E. Hemphill	Detailed from Third Cavalry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
13	William M. Goodale	Detailed from Nineteenth Infantry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
14	Allan L. Briggs	Detailed from Fourteenth Infantry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
15	James S. Butler	Detailed from First Cavalry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
16	William C. Fitzpatrick	Detailed from Ninth Infantry, Sept. 17, 1903, for duty with the Signal Corps. Not yet reported.	
17	Vacancy.		
18	Vacancy.		

ON TEMPORARY DUTY WITH THE SIGNAL CORPS.

	First lieutenants.		
	Archibald F. Commiskey (Seventh Cavalry).	Manila, P. I	May 26, 1903
	William W. Bessell (Twenty-sixth Infantry).	Manila, P. I	Aug. 22, 1902

With 54 per cent of the Corps in the Philippines and 21 per cent in Alaska, and no possibility of relief under the present conditions, it is hoped that the necessity of reorganizing the Corps and enlarging, especially, the number of enlisted men will meet with the approval of the Secretary of War and of Congress.

It is recommended that the enlisted force consist of three battalions of four companies each, each company to have a minimum force of 100 men. There should be one additional colonel to give the Signal Corps the proportion of field officers equal to the minimum accorded any other staff corps of the Army.

The organization should be under the same conditions as those which characterize the admirable organization of the Corps of Engineers.

The condition of the enlisted men in the Philippines, as shown elsewhere, has been deplorable and that of the men in Alaska only less so.

It should be possible to relieve men in the Philippines and in Alaska by the detail of companies, which would guarantee to the men of the Signal Corps the same certainty of equitable service abroad as is granted to other branches of the service, but which indisputably has been denied to the Signal Corps of the Army in the past as impracticable, this despite the favorable action of the Secretary of War.

PHILIPPINE ISLANDS.

The very important Signal Corps duties in the Division of the Philippines have been conducted throughout the year by Maj. William A. Glassford, Signal Corps. It is to be regretted that for some unknown but doubtless sufficient reasons Major Glassford's annual report has not reached this office, so that Signal Corps work on the military telegraph lines, which devolves by law upon the Chief Signal Officer of the Army, is necessarily treated incompletely, the available data consisting of monthly reports from Major Glassford and incidental reports from his subordinates.

At the commencing of the year the Signal Corps telegraph system aggregated 6,434 miles, of which 1,326 miles were submarine cable. The length of the lines under military control has been reduced by transfer to the civil government and by abandonment, so that on June 30, 1903, the aggregate length of the military system was 4,206.7 miles, of which 1,269 miles were submarine cable.

The whole system has rendered possible an effective executive control not only for the Army, but for the civil government, from the north coast of Luzon, southward, to the island of Siassi, within 60 miles of Borneo. The 16 largest and most important islands of the archipelago are connected by cable.

The line extensions have been limited to military necessities as far as the Army is concerned, but on the request and at the expense of the civil government cables have been laid extending from Marinduque through Romblom to Masbate, and from Panay to Palawan.

Owing to the great energy displayed by sergeants of the Signal Corps in charge of repair sections, the land lines have been operated almost uninterruptedly during the entire year. There have been only fifteen cases of malicious interruption, and but one native repairman has been killed, although several others have been maltreated.

Marked improvements in instrumental installations have been adopted, so that cable business between Manila and the southern islands has been handled with unusual dispatch.

The annual report of the chief signal officer of the division not having yet been received, there are no data as to the volume of business handled throughout the whole archipelago, although it continues to be enormous. From other official reports it appears that on the island of Luzon alone there were handled 2,162,435 telegrams. Of these 50.8 per cent pertained to the official business of the War Department; 3.2 to official business of other departments of the United States; 25.5 to the official business of the civil government of the Philippine Islands, while 20.5 were paid commercial messages.

The report of Capt. C. McK. Saltzman, Signal Corps, bears on the military lines in Mindanao, which have been especially important on account of the hostilities of the Moro tribes in the vicinity of Lake Lanao. In the southern part of the department the line between

Reina-Regente and Davao, 210 miles in length, was abandoned, as it was not needed for military purposes. In connection with the Moro hostilities and the institution of garrisons of the Lake Lanao region, a line 25 miles in length has been completed, from Iligan to Pantar, and one 7 miles in length from Tucuran to Lubig, while a line from Malabang to Camp Vicars, about 30 miles in length, has progressed as the road was constructed. In regard to the importance of the military telegrams Captain Saltzman says:

> On account of the absence of adequate mail facilities between posts of the department (Mindanao) and the importance of the military operations in the Moro country, the majority of the military telegrams (official) have been of a much greater length than those handled by the commercial companies of the United States and were of greater importance.

Local telephone systems for military purposes have been constructed in Captain Saltzman's department, at Malabang, Cottabato, and Iligan; and on Paragua there has also been built a line, of 13 miles, to connect Punta Separacion with Alfonso XIII.

Capt. E. O. Fechet, Signal Corps, reports that in the Department of the Visayas there have been established, for military purposes, at six army stations telephone exchanges aggregating 78 miles in length and using 142 telephones.

Of the enlisted men under him Captain Fechet says:

> The men, whether as operators or repairmen, have at all times manifested in a high degree the soldierly qualities of loyalty, endurance, and a brave patience under many privations.

Lieut. M. K. Cunningham, Signal Corps, in reporting on the telegraphic and telephonic systems operated by the Signal Corps in the city of Manila, states that the aggregate on the single conductor basis is 215 miles in length. In connection with the central and two subcentral telephone exchanges there are operated 271 telephones.

During the year there were 262,720 calls, while the service is unusually efficient, as shown by the fact that the "trouble" calls averaged less than five daily.

The report of First Lieut. Charles DeF. Chandler, on the U. S. transport *Burnside*, used a portion of the time as a cable ship, shows that her employment by the Signal Corps covered 93 days, up to June 10, when she sailed for Sitka to lay the Alaskan cable.

The cost of the *Burnside*, as shown by Lieutenant Chandler's report, is as follows: Coal, $22,068; salaries of officers and crew, $11,082; food and stewards, $25,851. This entails a daily expense for the ship upon the Quartermaster's Department of about $165, which makes the aggregate expenditure, exclusive of repairs, $15,345 for the 93 days' use of the ship. It demonstrates the economy of using for cable-repair purposes an available transport, rather than resorting to the costly and unreliable plan, recommended during the year, of repairing military cables by ships flying a foreign flag.

In addition to the regular officers of the Signal Corps, the following officers of the line have served on temporary duty in the Signal Corps in the Philippines: First Lieut. Evan H. Humphrey, Seventh Cavalry (now relieved); First Lieut. Frederick M. Jones, Ninth Cavalry (now relieved); First Lieut. Archibald F. Commiskey, Seventh Cavalry; Second Lieut. James A. Higgins, Thirtieth Infantry (now relieved); Second Lieut. William W. Bessell, Twenty-sixth Infantry.

These officers have all performed arduous and valuable services.

TRANSFER OF PHILIPPINE TELEGRAPH LINES.

After consultation with the Hon. William H. Taft, governor of the Philippine Archipelago, and the commanding general, Division of the Philippines, the gradual transfer of the telegraph lines from the control of the Army to the civil government was initiated.

At the request of Governor Taft, Capt. Charles S. Wallace, Signal Corps, has been placed on duty with the civil government, in order to organize an efficient telegraph bureau for civil purposes. Captain Wallace's efforts have proved so satisfactory to the civil government that his original detail, which terminated in April, 1903, has been continued, under repeated requests, until November, 1903.

Under Captain Wallace's supervision marked progress has been made in providing a body of trained natives for duty as telephone and telegraph operators. While it has been necessary to employ many American operators, generally discharged men of the Signal Corps, yet the latest advices from Manila indicate that within the next year or two there will be available quite a force of Filipino operators, capable of handling a telegraph business of moderate volume.

The total amount of lines of cables thus transferred amounts to 56.965 miles, as follows: Maasin, island of Leyte, to Surigao, Mindanao, 55.565 miles; Tacloban, island of Leyte, to Basey, Samar, 1.4 miles. The entire amount of land lines and cables operated by the Philippine constabulary at this date must considerably exceed 2,000 miles in length.

It is gratifying to note that simple methods of transfer have facilitated the ends in view. By direction of the Chief Signal Officer all Signal Corps instruments and supplies desired by the civil government are transferred to them with the lines and offices in the different telegraph sections, it being understood that any question as to compensation, etc., should be settled in Washington between the Chief Signal Officer of the Army and the Chief of the Insular Department.

Recognizing the great difficulties which would beset the civil government in building up in the Philippines a civilian telegraph system, the Chief Signal Officer of the Army has not only extended every cooperation possible in this country by the purchase of supplies, etc., but also has repeatedly enjoined the chief signal officer, Division of the Philippines, to use his utmost efforts in material assistance and in helpful cooperation, to the utmost extent that was consistent with the interests of the Army. It is believed that during the coming fiscal year the transfer of lines will proceed with greater rapidity than has been possible for the civil government to receive lines during the past year.

ENLISTED MEN IN THE PHILIPPINES.

While service in the islands has rested heavily on the Army in general, yet it is safe to say that the most distressing and harassing burdens have been those of the enlisted men of the Signal Corps.

As pointed out by one of the commanding generals of the Philippines, the power of the Army to there preserve peace is practically tripled by the complete and efficient system of intercommunication established and operated by the Signal Corps. Largely through this system great reductions have been possible in the number of troops serving in the Philippines. Instead of two-thirds of the entire forces of

the Army, there is now in the Philippines only about one-fifth. But such reductions have not been possible for the Signal Corps. Despite every effort to transfer lines to the civil government, and although the Secretary of War has twice directed the return at as early a date as practicable of signal corps men having more than two years of island service, no results have followed. At the end of the fiscal year 54 per cent of the enlisted forces of the Signal Corps were still serving in the islands, and fully 15 per cent of the entire corps had there served for periods ranging from two to four years. Despite every effort to tide over the present conditions of affairs, dissatisfaction and demoralization have to some extent resulted.

Statistics compiled last spring show that out of the 1,300 men sent to the Philippine Islands for the Signal Corps only 15, or but 1 out of 100, had been permitted to return to the United States for that change of duty which is recognized as one of the privileges due a faithful American soldier. Under these conditions, it is not astonishing that reenlistments are rare, and that a despondent feeling has come over the enlisted men, due to the realization that they can escape service in the islands only by quitting the Army.

It is recognized that this condition of affairs is due to military necessities, and that the Signal Corps of the Army should perform its duties, however exacting, as should every American soldier. Relief is possible only by an increase in the number of the enlisted men of the service. Of the 810 men now authorized by law, 54 per cent are on duty in the Philippines and 21 per cent in Alaska, leaving only 25 per cent to replace those on foreign service. If the enlisted forces were increased to 1,200 men, as elsewhere recommended, it would be possible to reduce foreign service in the Signal Corps to one year in two, or, perhaps a little later, to one year in three. This certainly should be granted the Signal Corps, in view of the fact that the Army at large now requires but one year's service in four in foreign stations.

In addition to unduly prolonged foreign service, under conditions above stated, the men have the feeling that they are underpaid for the important technical work done by them, an opinion reenforced by the fact that enlisted men, drawing from $17 to $30 per month, work often side by side with civilians drawing $100 to $125 for exactly the same duties.

Despite these adverse and discouraging conditions the enlisted men of the Signal Corps, frequently isolated at remote and unsanitary places, have adhered to the high standard of previous years and performed their arduous duties, frequently covering from twelve to fourteen hours per day, with cheerfulness, loyalty, and efficiency.

MONEY VALUE IN BUSINESS DONE.

Lack of data makes it impossible to state in detail the value of the telegraphic and telephonic services rendered by the signal corps in the Philippines. Exact data are available only as to the number of separate telegrams handled in the city of Manila, which aggregated during the fiscal year 674,444. It appears from an actual count of 311 official messages on a single day the average length of such messages was 48.5 words. Assuming that one-half of these telegrams passed from one island to another, and applying the extremely low tariff of the Signal Corps (2 cents per word on an island and 4 cents between

two islands), the value of tariffs on these messages amounts to $981,316.02. The telephone business done in Manila alone, at 10 cents per message, had a tariff value of $26,272; thus making an aggregate value of $1,107,588.02.

It seems reasonable to assume that messages in the rest of the archipelago not passing through Manila would amount to at least one-third of the Manila messages, which would make the value of business done by the Signal Corps in the neighborhood of $1,500,000.

Judging from the Manila business, the forecast made by the Chief Signal Officer in his annual report of last year is approximately correct, that the official business of the War Department would rapidly decrease, while that of the Philippine civil government would materially increase. As determined from the business passing through that city, the War Department messages have decreased from 86 per cent in 1902 to 51 per cent in 1903, while the official business of the civil government of the Philippine Islands has increased from 11.4 per cent to 25.5 per cent.

While complete data for the year have not been received regarding the receipts from commercial business, yet it is safe to say that the amount received exceeds, during the fiscal year, $50,000. These receipts have been regularly deposited in the treasury of the civil government, in continuance of the plan originally adopted, and under the assumption that these lines were destined for the use of the islands and the civil government, to which they are being gradually transferred.

The entire cost of the Signal Corps, including pay, clothing, rations, transportation, cable-ship expenses, etc., are believed to be well within $400,000, so that the Signal Corps of the Army has rendered services in the Philippines whose pecuniary value exceeds by more than $1,000,000 the entire expenses connected with the Corps. This has simply been done by overworking the men of the Signal Corps and by their underpayment, as elsewhere stated.

OPERATIONS IN THE UNITED STATES.

Great as are the interests and extent of work in Alaska and the Philippines, they are equaled in military importance by developments in the United States in connection with fire-control communications for seacoast artillery, electrical installations at posts, and necessary provisions for maneuvers and field camps.

MILITARY DEPARTMENTS.

Under paragraph 1747, Army Regulations, department commanders supplement the operations of the Signal Corps by such instruction in visual military signaling as they deem necessary for the public service. The instruction in the line of the Army contemplates that each independent command should have at least two officers and two enlisted men able to exchange messages in the army and navy code at short distances by day and night.

Deficiency in instruction in military signaling in the line of the Army has resulted largely from the inability of the Signal Corps to furnish a signal officer for each military department. Of the eight military departments in the United States it has been possible to supply only two throughout the year with a signal officer. Line officers, serv-

ing as department signal officers, perform these duties in addition to others having a prior claim. Under these conditions the Signal Corps has been fortunate in obtaining in all cases good service, and in some cases very efficient service. Capt. C. D. Roberts, Seventh Infantry, has most efficiently administered the affairs of the Department of Texas, where, in addition to ordinary duties, three sections of military telegraph lines, aggregating 353 miles in length, have been controlled by him. In the valley of the Rio Grande, the Laredo-Brownsville line, 237 miles in length, has been interrupted only three days and fifteen hours during the entire year. On this line 18,635 messages have been handled, and of the resulting tariffs, $1,323.56 of "this line" receipts have been deposited in the Treasury of the United States as required by law, while $612.16 of "other line" receipts have been paid over to the commercial companies to whom it pertains.

In the Department of the Colorado four sections of telegraph lines, aggregating 490 miles in length (excluding the Mammoth-Hellner branch, condemned and to be transferred or sold), have been maintained during the year in New Mexico and Arizona, as also a line of 87 miles between Price and Fort Duchesne, Utah. On these lines 31,315 messages have been transmitted. "This line" receipts of $1,069.34 have been turned into the Treasury, while "other line" receipts to the amount of $3,888.72 have been turned over to the commercial companies to which they belong.

It is hoped that in the early future it will be possible to sell or abandon the Arizona line between Holbrook and Willcox, which has been maintained during a series of years as an alternate route valuable in case of Indian depredations.

The inability to obtain a signal officer of rank for the Department of the Columbia has devolved the duties of this department, as regards Alaska, very largely upon the office of the Chief Signal Officer. During a portion of the year Capt. Walter L. Clarke, Signal Corps, was in charge of the department signal office.

The duties of signal officer of the Department of the East have been performed by Col. H. H. C. Dunwoody, Signal Corps, who, in addition to the ordinary work of the department, had charge of the important supply depot in New York City, and also the direction of signal corps operations during the Army and Navy maneuvers in the Portland artillery district.

The great importance of fire-control installations in the Department of the East has necessitated the detail of an assistant to Colonel Dunwoody. Permission being granted to quarter a detachment of the Signal Corps at Fort Trumbull, New London, such a detachment has been there located under Capt. Basil G. Lemoir, Signal Corps. It is contemplated that Fort Trumbull shall serve as a cable repair depot for the maintenance of fire-control cables along the Atlantic coast, and the installation of such others as may be necessary. Unfortunately the Quartermaster's Department has been unable to furnish a suitable cable boat for repair work, but has taken prompt steps to remedy the situation by constructing a boat which shall serve as a cable-repair boat and as a quartermaster's boat. Tanks suitable for storing surplus cable will be installed at Fort Trumbull as soon as funds are available for such purpose.

As pointed out elsewhere in this report, it has been impossible for the Signal Corps to secure cable necessary for the Army and Navy

maneuvers at Portland, six of the eight cable companies in the country declining to bid, owing to their inability to fill orders from their regular customers. The cable laid at the request of the artillery corps between New London and Fort Michie has been interrupted since the middle of December, 1902, through inability to have cable manufactured for repair purposes. Propositions have been made looking to the utilization of some of the torpedo cable at Fort Slocum, but the Chief Signal Officer of the Army declined to favor any such plan, owing to the inferior character of this cable, which, as stated elsewhere, failed electrically in the maneuvers in the Portland district.

The success of coast-defense operations may be imperiled at a critical period by an inferior fire-control system, and neither the Army nor the nation can afford to countenance any service which does not utilize the best material and the best talent. This service is necessarily tentative and in its early stages, the first system of fire-control cables having been established at the instance of the Chief Signal Officer of the Army in New York Harbor at the beginning of the Spanish-American war. Improvements and advances must be insisted upon, and it is believed that the electrical system originated and developed by the Signal Corps is steadily moving toward a high standard, which the American nation has a right to demand for its honor and safety in time of war.

In view of the fact that in six months' time there could not be secured from cable manufacturers of the United States one-sixth of the cable necessary for use in time of peace, the Chief Signal Officer of the Army deems it most important to point out this fact for the information of the Secretary of War and of Congress. At a seasonable time the question of a special estimate for suitable reserve of submarine cables for war purposes will be brought to the attention of the Secretary of War.

SIGNAL CORPS POST, FORT MYER, VA.

The command of this important post and school of instruction has been exercised by Lieut. Col. Richard E. Thompson, Signal Corps, during the entire year.

The primary function of the post is the instruction of untrained officers and men, while secondarily it serves as a depot of repairs and issue. Its value as a school of instruction is shown by the fact that 178 enlisted or transferred men have joined during the year. There have been trained and sent to foreign service 74 enlisted men, while 89 others, having received preliminary training, have been sent as assistants to telegraph and signal stations in Arizona, Utah, and elsewhere. The necessities of the service have reduced the period of instruction to four and one-half months, too limited time for proper training. The excellent quality of the recruits and character of the garrison is shown by the fact that, despite the unpleasant surroundings that have grown up since the canteen system was modified, there has been during the past year but 1 trial by court-martial and 19 by summary court.

Very large quantities of surplus and unserviceable signal property have been received at the post. No less than 332 tons of supplies and material have been shipped from the post. The transportation facilities are inadequate, as all supplies to and from the post have to be hauled 6 miles each way by wagon. It is hoped that accommodations may soon be provided for signal corps companies at Fort Leaven-

worth and San Francisco, when subdepots will be established in the interests of economy and efficiency.

There have been eleven officers at the post, of whom no less than eight were in need of military and professional training. Unfortunately it has been impossible, owing to the great scarcity of officers, to furnish the technical instruction for the officers at the post, the commanding officer being unable to do more than supervise military instruction pure and simple, and instruction of officers has necessarily been suspended, much to the injury of the service and to the detriment of the individual officers.

The relations of the two independent posts at Fort Myer—the cavalry and the signal corps posts—have been most harmonious, Colonel Edgerly having invariably cooperated with Colonel Thompson in all matters affecting the interests of both posts.

AUTOMOBILES.

In view of the prospective value of auto-propelled vehicles to telegraph and balloon trains the Chief Signal Officer of the Army has continued experiments with automobiles. The Signal Corps' experiences have demonstrated the practicability of self-propelled vehicles for such military purposes. While the good points of electric and steam vehicles are thoroughly recognized, yet the internal combustion type, using kerosene or other oil, seems preferable for war purposes. This type has especially valuable features from a military standpoint in its small fuel and water consumption, essential qualities to any army in the field. It may be added that experiments in foreign services confirm the experience of the Signal Corps as to the advisability of using auto-propelled vehicles for special military purposes.

BALLOONING.

It has been impossible to do any ballooning work during the past year.

First, there were neither men nor officers available for this purpose.

Second, repeated efforts in the form of applications to forty or more firms in the United States disclosed the inability of the Signal Corps to obtain from private manufacturers compressed hydrogen gas, which is absolutely necessary for rapid and successful aeronautical work with captive balloons.

With additional officers obtained by detail under the law, it is hoped that some advance may be made in placing this important military work in a condition of efficiency during the coming year. It now seems certain that a permanent plant for making and compressing hydrogen gas will be necessary for successful work.

WIRELESS TELEGRAPHY.

The system of wireless telegraphy devised by the Signal Corps of the Army in 1899 has been improved in details, but its range of operation is limited. It was deemed advisable to stop experimental work along these lines pending the development of this science by experts in civil life.

In 1901, however, it became a matter of practical importance to the Signal Corps to establish wireless telegraphy over extended distances.

A contract was made looking to the establishment of the wireless telegraph by the Fessenden system across Norton Sound from Nome (Fort Davis) to St. Michael, about 110 miles. The contractors failed, however, to make the installation and the contract was revoked.

In view of the failure of the contractor to install the wireless system across Norton Sound, and in order to meet the desire of the commanding general, Department of the Columbia, for telegraphic communication with Fort Davis, the Signal Corps has taken up this problem and is now engaged in an effort to install a system that shall work from St. Michael to Safety Harbor, near Nome, Alaska, a distance of about 105 miles. Experimental work with separate and composite systems is being carried on in Long Island Sound by Capt. L. D. Wildman, Signal Corps, with a view to eventually working between Fort Schuyler and Fort H. G. Wright, a distance of 105 miles, and of which about 10 miles are lowland. For this purpose masts 140 feet high have been constructed, and Captain Wildman now awaits special motor dynamos and transformers to be completed in order to make final tests.

Meanwhile, installation of masts and antennæ are now being made at Safety Harbor and St. Michael, so that whatever system proves satisfactory in Long Island Sound can be utilized in Alaska in 1904 by the transfer thereto of suitable sending and receiving apparatus. At both St. Michael and Safety Harbor the permanent plants are now in process of transportation and erection. There are to be at each station two triple masts 200 feet high, between which are to be suspended fan-shaped antennæ, consisting of 125 copper wires 1 foot apart. The motor power is to consist of a 5-horsepower gasolene engine and a 3-kilowatt motor dynamo, 60-cycle alternator. At one station will be a transformer "stepping up" from 500 to 20,000 volts, and at the other "stepping up" from 500 to 25,000. The large Muirhead receivers, which now seem to be the best available type, are to be utilized in this work unless meantime other experiments produce something superior.

Another contract was made with the American-Marconi Wireless Telegraph Company to establish wireless communication between two points in the Tanana valley, where great difficulties were expected in constructing an ordinary telegraph line and in maintaining it satisfactorily, the contract looking to the connecting of two points about 164 miles apart with an intermediate station should the Marconi company so decide. It was hoped that this installation would be made by October, 1902, but the contractors were not able to install the system last year. They were at work during the summer of 1903, but to this date no success has been reported. It has, therefore, been necessary for the Chief Signal Officer of the Army to direct the efficient maintenance of the land lines in the lower valley of the Tanana, such action being imperatively necessary in view of the failure to make wireless installations in a reasonable time.

As was stated in last annual report, the De Forest system of wireless telegraphy was utilized during the army and navy maneuvers on Long Island Sound. This year the same system has been used to replace a broken cable in New York Harbor, between Forts Wadsworth and Hancock, and it has worked most satisfactorily over this distance of 12 miles. In this system a motor dynamo of 1 kilowatt capacity, driven by the power of the post plant at 110 volts, produces an alternating current of 500 volts at 60 cycles. This runs through a

2-kilowatt transformer, which "steps up" the voltage to 25,000 across the spark gap. Messages are received by the telephone and De Forest responder.

INTERNATIONAL WIRELESS CONFERENCE.

On the recommendation of the Secretary of War and by appointment from the Secretary of State the Chief Signal Officer of the Army attended the preliminary international conference for the regulation of wireless telegraphy, which was held at Berlin, Germany, from August 4 to 15, 1903. The proceedings of this conference have formed the subject of special reports by the Chief Signal Officer of the Army, both to the Secretary of War and the Secretary of State.

In general it may be stated that the regulations proposed view wireless telegraphy as simply a continuation of ordinary telegraphy. Under the decisions of the Supreme Court of the United States telegraph companies are common carriers, and the regulations suggested look to the application of the same rules of duty and liability to wireless telegraph companies which now apply to ordinary telegraph and cable companies. These views are believed to be in harmony with the temper of American thought and with the trend of American legislation.

INTERNATIONAL TELEGRAPH CONFERENCE.

Although the United States is not an adhering party to the International Telegraph Union, yet the Government of Great Britain invited this country to be represented at the International Telegraph Conference held in London from May 27 to July 3, 1903. On the recommendation of the Secretary of War and by the appointment of the Secretary of State, the Chief Signal Officer of the Army represented alone the interests of the United States. The conditions under which this duty was carried out were somewhat difficult, not alone owing to the fact that the proceedings were all conducted in a foreign tongue, but that the Chief Signal Officer as a delegate from the United States had no vote, his participation being with the distinct understanding that the United States incurred no obligations thereby.

The cause which decided the United States to be represented at this convention was the alarm felt by the commercial and industrial interests of this country regarding the proposed enforcement of an official vocabulary on the world at large. It was proposed and urged at the conference that this vocabulary, consisting of about 400,000 words, should be the source whence all code words should be drawn. If this vocabulary had been adopted it would have necessitated the reconstruction of practically every private telegraph code in the United States, and would have involved not only large sums of money to reconstruct the codes, but would have very seriously interfered with the transaction of business by cable in other countries.

Most fortunately the existent relations between the leading cable companies of the world and the Signal Corps of the Army were so harmonious that the representatives of these corporations, who were present without a vote, cooperated as fully as was possible with the opinions put forth formally by the Chief Signal Officer of the Army in his memoir to the convention at large on this subject.

No opportunities were lost to determine the attitude of the official

delegates from the various countries and to urge on them the inadvisability of an obligatory vocabulary. The representatives of the Government of Great Britain were heartily in accord with the American issues, and to the assiduity and ability of the British delegation are largely due the successful issues of the convention.

Not only was the obligatory vocabulary withdrawn, but the regulations regarding cipher messages and code words have been extended to such a point as to meet, it is believed, any and all demands of American interests. The results could not possibly have been more successful.

It is most strongly urged that steps be taken by the United States to adhere to the International Telegraph Union. American interests may be threatened in future conventions, and without a vote the time may come when results detrimental to this country may ensue unless the United States participates therein.

As compared with the contracting states, the United States is now at a disadvantage in the use of cables and land lines which pertain to the union. In time of war or in serious exigencies the United States has to yield in priority to the official messages of agents of all contracting states, as under the regulations telegrams of contracting states take precedence.

The International Telegraph Union furnishes the contracting States gratuitously all information relative to international telegraphy, such as interruptions, restorations, etc., and the United States has been obliged for years past to obtain such valuable information secondhand and as a favor, if at all. The expense of the maintenance of the International Bureau is borne by the different States, and would probably not exceed a few hundred dollars per year for the United States. The amount could be paid from the telegraphic appropriations of the Signal Corps if authority be given, or the expense could be met, as in other countries, by the additional charge of 1 cent on each message over the United States lines, as was regularly done in Cuba and Porto Rico prior to 1898 and is now done in the Philippines.

SIGNAL CORPS OF THE NATIONAL GUARD.

The importance of electrical communications has been very generally recognized in the organized militia of the United States. There exist, as shown by the last militia report of the War Department, Signal Corps organizations with commissioned officers and enlisted men in the States of California, Colorado, Connecticut, Illinois, Indiana, Louisiana, Maine, Massachusetts, New Jersey, New York, Ohio, Texas, and Utah, and the Territory of New Mexico and the District of Columbia. Detachments under noncommissioned officers have also been organized in Iowa, Maryland, New Hampshire, and Rhode Island, and in the Territory of Arizona.

The relations of the Signal Corps of the Army with the signal organizations of the National Guard of the States have been cordial and harmonious.

TELEGRAPH AND CIPHER BUREAU OF THE WHITE HOUSE.

The telegraph and cipher bureau of the White House to place the Commander in Chief of the Army and Navy in quick and direct com-

munication with military forces on land and sea, and with our diplomatic representatives abroad, has remained under the immediate and efficient supervision of Maj. Benjamin F. Montgomery, captain, Signal Corps, whose war services have been recognized by Congress in giving him advanced rank while so serving.

FIRE-CONTROL SYSTEM FOR SEACOAST ARTILLERY.

In fire control operations the utmost harmony and thorough cooperation have obtained throughout the year between this Office, the Chief of Artillery, the Chief of Engineers, and the Chief of Ordnance.

It is recognized that the Corps of Artillery is the dominant factor in the operation of our seacoast defenses, and that the system of fire control must be such as to commend itself to the far greater majority of the officers of the Artillery Corps as a thoroughly reliable system, capable of satisfactory operation by the enlisted men of the Artillery Corps. The Chief Signal Officer also announced his opinion that no iron-clad system would ever prove satisfactory, but that it must be flexible and capable of modification according to the varying physical environments of the different fortifications. Especially it should be as simple as possible, and modifications in that direction have been invariably favored by the Chief Signal Officer.

The Signal Corps is not charged with problems of designs for artillery instruments, and the Chief Signal Officer of the Army has informed the Chief of Artillery that he is willing to take up the problem of electrical installation for the fire-control system of any post in such manner as would seem to the Chief of Artillery most promising in practical results. This is to be done either on plans and specifications drawn by the artillery, or indeed any other branch of the service, or to work out the problem independently on being advised as to the ends desired. In the former case the Signal Corps could not, of course, be held responsible for the efficient working of any system devised by any other corps, only being bound to deliver instruments of first-class workmanship and material, as might be required by the sample instrument furnished or the specifications filed.

The Chief of Artillery and, indeed, most of the officers of the Artillery Corps charged with important fire-control work take broad views of the situation. Almost invariably they have simply enunciated to the Signal Corps the kind and character of work to be done by the instruments and left the solution of the electrical problem to the Signal Corps. This method, it is believed, has produced results more satisfactory and speedy than could have been otherwise obtained.

The appropriations are spent in accordance with the requests of the Chief of Artillery, whose wishes as regards the order in which installations shall be made at different posts have always been followed.

While the Chief Signal Officer of the Army in considering fire-control matters has consistently sought the advice of the expert electricians among the officers of the Signal Corps, yet the burden of the work has fallen upon Capt. Edgar Russel, assistant in charge of the Electrical Division of this office. His ripe experiences of seven years as an officer of artillery, supplemented by three years' experience in the Philippines, make him especially competent to apply his theoretical knowledge of electricity to novel and important operations. Captain Russel formulates specifications, makes the official tests, and prepares the instruc-

tions for the use of the various instruments and material, of which the most important are the armored cables, master clocks, service telephones, and telautographs.

The electrical installation of the coast defenses of the United States will cost eventually in the neighborhood of $2,000,000, and in time its minimum annual maintenance must cost at the very least $200,000, figuring the deterioration of the electrical plant at 10 per cent. Telautographs, master clocks, special telephones, switches, and batteries are certain to deteriorate very rapidly unless properly cared for. The proper supervision of these expensive and elaborate electrical plants will prevent what otherwise will be an enormous waste in the years to come. At present the Signal Corps of the Army has no part in the supervision or inspection of these installations, which become part of the artillery plant as soon as installed and turned over in good order.

While under existing law and regulations the Signal Corps is charged with electrical communication for fire-control purposes and electrical installations at posts, there have been modifications and limitations which the Chief Signal Officer of the Army has not thought proper to question, nor does he now do so. Inevitably the duties of various departments cross one another at certain points, but as far as the Signal Corps is concerned there is every desire to avoid clashing and to seek only the interests of the Army and of the country.

It might be borne in mind that the various duties in the past have made the Signal Corps of the Army unusually well skilled in electrical work. The tendency of the times is to specialities, and past experiences demonstrate the difficulty of bringing together all-round men competent for the many separate phases of practical electrical work necessary for the Army.

There is no question that the officers of the Artillery Corps, of the Corps of Engineers, or of the Ordnance Department could perform these varied duties as well as officers of the Signal Corps, but to do so necessarily entails a vast amount of study and training outside of the ordinary duties pursued by these officers. It is a question of coordinating the work where it can be most speedily brought to a degree of perfection in keeping with the high standard of the American Army.

This report elsewhere demonstrates the economy and efficiency of the Signal Corps in its electrical work in the Philippines. It is believed that a slight extension of its enlisted force would enable the Signal Corps to perform its electrical work, in connection with the coast defenses, more economically than could be done in any other way.

It is a question between doing this work economically by enlisted men and subordinate officers, or by a host of high-priced civilians. Despite its unusually broad field of electrical work, the Signal Corps of the Army has now in its employ only four civilians drawing a larger salary than $1,800 per year. Careful training, as well as practical work, have brought many of the first-class sergeants of the Signal Corps to a high electrical standard, considered from the standpoint of practicality.

Doubtless these questions will receive such consideration in the early future as their importance demands, especially as in an official communication the Chief of Artillery, who, both from technical training and official position, speaks with authority, says:

> Attention is invited to the fact that a battery of guns without a range finder, or without an adequate means of fire control loses 75 per cent of its efficiency.

The equipment of any attacking squadron is certain to be perfect as regards both its systems of communication. While the internal system is one of vital importance for fire-control purposes, it should be pointed out that the British navy considers the external system of such importance that some of the battle ships have a signal staff exceeding thirty.

If it should be eventually decided to divorce the fire-control work entirely from the Signal Corps, there must necessarily be a duplicate equipment provided both on the Atlantic and Pacific coasts for the installation and repair of fire-control submarine cables, which are now cared for by the paraphernalia and equipments which are absolutely necessary for the maintenance of the military cables of the Army. These now aggregate several thousand miles as against about 100 miles for fire-control uses. Of course no action can be taken without changing the organic law, which specifically devolves on the Signal Corps the "construction, repair, and operation of military telegraph lines, and the duty of collecting and transmitting information for the Army by telegraph or otherwise."

ARMY AND NAVY MANEUVERS IN PORTLAND ARTILLERY DISTRICT.

Harassed by lack of officers and men, and unable to purchase suitable material, the installation of fire-control communications in the Portland artillery district has been the most difficult task ever set the Signal Corps of the Army. It was only by extraordinary resourcefulness and attention to duty that this installation was made successful. Despite forebodings and prognostications, the Signal Corps' installation was in time for the maneuvers, and produced results which can be criticised only in trifling respects.

The trained electrical officers of the Signal Corps were on duty elsewhere, either managing the undermanned lines of the Philippines or in arranging for the installation of the Alaskan cable, so that it should be in operation at the very early date so earnestly desired by the Secretary of War. First Lieut. Henry S. Hathaway, Signal Corps, skilled in electrical work, surrendered a sick leave of absence and undertook the installation.

The Chief Signal Officer of the Army was notified on February 29 that the Army and Navy maneuvers would take place in the Portland artillery district. He immediately ordered Capt. Edgar Russel, Signal Corps, with electrical engineers, to visit Portland and determine what material and supplies were needed to carry out the fire-control scheme for this district which had been approved by the Chief of Artillery. On March 28 the Signal Corps had done all that was possible to insure the success of the installation. In twenty-nine days it had surveyed the district, laid out the lines of operation, drawn up detailed specifications for cables and other electrical devices, and put out proposals for their construction and delivery in accordance with law.

Unfortunately for the Army, although fortunately for the country, the condition of industry was such that out of the eight largest cable companies in the country only two were willing to bid, the others declining on account of pressure of private orders. The only thing that could be done was to accept bids from two companies which guaranteed to deliver the necessary cable in New York City, but not until

the 11th of July, a little over a month before the beginning of the maneuvers.

Pressure of other orders and the disturbed condition of the labor market are believed to be the causes which made it impracticable for either company to deliver its cables on time. In fact it proved impossible to have delivered by regular methods, in five months' time, even a quarter of the amount of cable necessary for the success of the maneuvers. About 600 miles reduced to the one-conductor basis were needed, but only about 125 could be obtained from regular sources. It was only by extraordinary means that these difficulties were overcome. By paying a higher price and taking cables not standard, about 30 miles of cables on a single-conductor basis were obtained from the only cable company in the country that had on hand any class of submarine cable which could be armored and utilized. Every foot of cable that was surplus at any other post on the Atlantic coast was promptly diverted from its original destination to the Portland district. Finally, about 80 miles of cable were replaced by a four-twisted pair telephone line which the New England Telephone Company contracted to build especially for use during the maneuvers.

Despite every expedient about 80 miles of cable on a single conductor basis was needed to perfect the system as extended and desired by the Corps of Artillery. For this purpose, and as a final resort, the best possible coils that could be obtained from the old torpedo cable at Fort Totten were delivered to the Signal Corps by direction of General Chaffee, in hopes that it might serve the purpose. The misgivings regarding this cable, which in any event could not have been used in compound circuit, were justified by the conclusions, for the torpedo cable deteriorated rapidly and finally utterly failed.

It can not be too strongly urged that special appropriations should be made for the purchase and storage of surplus war materials, such as submarine cables, which can not be purchased in open market, but have to be made to order. The bitter experiences of the Spanish-American war are now reenforced by the experiences of the Army and Navy maneuvers of this year, proving conclusively the inability of the Army to depend on the industrial establishments of the country in times of prosperity for speedy delivery of electrical material. As an indication of the situation it is to be pointed out that the important four-conductor cable serving the artillery district of New London, has been interrupted for a period of five months or more, during which time it has been impossible to have manufactured enough cable for the repairs.

Under Colonel Dunwoody's skillful administration the wireless telegraph system of the Army did admirable work, not only transmitting its own messages uninterruptedly, but intercepting many messages from the wireless service of the Navy.

There being no other available officer for visual signaling, Capt. D. J. Carr, the disbursing officer of the Signal Corps, was detached for service in the Portland district. Though working with a force consisting largely of invalids and recruits, yet the telegraphic work and visual signaling were successfully carried out, although this would have been impossible had it not been for the Signal Corps' detachments from Maine; Massachusetts, and New York.

Capt. Leonard D. Wildman was also detached from the Office of the Chief Signal Officer for service connected with the electrical duties

during the maneuvers, necessarily abandoning other special important work connected with the Alaskan system with which he was then charged.

In this cooperation not only was every available Signal Corps man in the country sent to Portland, but every officer detached from the Office of the Chief Signal Officer except the one in charge.

WAR DEPARTMENT TELEGRAPHIC CODE.

Under paragraph 1741, Army Regulations, the Chief Signal Officer of the Army is charged with the preparation, distribution, and revision of the War Department Telegraphic Code. The extraordinary telegraphic expenses of the War Department in late years make this work economically important.

The preparation of this code has devolved upon the Chief Signal Officer personally, as there was no other available officer having combined knowledge of telegraphy, military usages, special vocabularies, and the commercial cable regulations of the world.

Care has been taken to omit words which, either in continental code or American Morse, are of such telegraphic character as to lead to errors, whether in the transmission or from defective transcription. The War Department telegraphic code is supplemented by the Western Union telegraphic code, and from time to time appendixes have been issued. It includes about 25,000 sentences that are frequently used in military correspondence. On an average, each cipher word represents about seven words in plain text.

Specially prepared tables reduce the length of official messages to a minimum. In connection with certain classes of business a single word acknowledges the messages and conveys to the sender the action taken thereon. Nearly every officer in the Army has a single code word assigned to him, and the same course is followed with each separate military organization.

Primarily a code for economy, the War Department telegraphic code is also available for enciphering confidential messages. Each code word has a number, so that any method of enciphering by key numbers can be used.

The Chief Signal Officer of the Army has awaited the completion of the reorganization of the Army before perfecting the much needed revision of the code, whereby a still larger saving can be made in telegraphic expenses. In the revision every officer of the Army will be given a code word and special study will be made of frequently recurring phrases. Much has already been done in this direction, but the revision could not be perfected until the personnel of the commissioned force of the Army was definitely known.

COAST SIGNAL STATIONS.

It is a matter of the utmost importance that signaling apparatus of a suitable character be installed at the more important of the artillery defenses along the Atlantic and Pacific coasts, so that it may be possible for intercommunication to take place between the Army and the Navy. At present there are no suitable means of communication. It is believed that speedy action is advisable in order to insure that efficiency and extended cooperation between the Army and the Navy of

the United States which, so advisable for practice and maneuvers in time of peace, might be essential to the safety of the Union at a critical period in time of war.

At a suitable time detailed estimates to the end in view will be submitted to the Secretary of War for his consideration.

OFFICE OF THE CHIEF SIGNAL OFFICER.

The most approved methods of handling the immense volume of papers in the office of the Chief Signal Officer have been adopted, but the allotted clerical force is inadequate for handling with dispatch and efficiency the large amount of work devolving upon the Corps. Not only has the Signal Corps been increased within the past five years from a force of 10 officers and 50 men to 46 officers and 810 men, but the annual appropriations incident on extended work have been increased from $18,000 to nearly $1,000,000. The placing of the coast defenses in a proper state of efficiency necessarily involves a great amount of work connected with the electrical communications at the various artillery posts.

The following clerical force is considered absolutely necessary for prompt and satisfactory transaction of public business:

One chief clerk	$2,250
One chief of disbursing division	2,000
Three clerks, class 4	5,400
Three clerks, class 3	4,800
Four clerks, class 2	5,600
Eight clerks, class 1	9,600
Six clerks, at $1,000	6,000
Two clerks, at $900	1,800
One messenger	840
Two assistant messengers, at $720	1,440
One laborer	660

A reorganization of the Signal Office into five divisions has coordinated and harmonized current methods of conducting public business and increasing the amount of work possible for each clerk.

ADMINISTRATIVE DIVISION.

The administrative division has charge of the routine work of the Signal Office—the mail, general office correspondence, the office files, and all matters affecting the commissioned, enlisted, and civilian force of the Signal Corps. This division, with an inadequate clerical force, has by assiduity and system handled over 200,000 letters and communications during the year, the record for the six months ending June 30, 1903, being 107,555.

To this division is assigned the principal assistant of the Chief Signal Officer, Maj. George P. Scriven, Signal Corps, whose long and distinguished service abroad in the field, in China, Cuba, and the Philippines, has made his services most valuable.

DISBURSING DIVISION.

This division is charged with the preparation of estimates for appropriations by Congress; accounts, requisitions and transfers from appropriations, quotations, samples and advertisements, abstracting bids, making awards, placing orders, inspection, shipment, invoicing

and accounting of supplies, payment of accounts, collecting of bills, and all other duties pertaining to disbursements. The duties of disbursing officer has been performed most efficiently and promptly by Capt. D. J. Carr, Signal Corps.

Captain Carr's report shows that in the regular inspection of his accounts no errors have been found during the year and no disallowances have been made by the Auditor for the War Department. These facts show the high character of the work done in this division and the care and intelligence displayed by Captain Carr.

In urging a much-needed increase in clerical force, Captain Carr reports that his five clerks, of whom three were new, have handled 92,853 papers during the year. The introduction of the card system has greatly facilitated the work, which has been possible, however, only by the failure of the clerks to take all leave to which they were entitled and by unremitting attention while on duty.

The disbursements for the year, $709,517.20, exceed those of any preceding year except one, and are greater than during the year of the Spanish-American war. The work of this division has been enormously increased by strict compliance with the laws and regulations regarding advertisements, awards, contracts, etc. The policy of making local purchases has been followed as far as practicable, being, in many instances, an economy of time and money.

ELECTRICAL DIVISION.

It has been fortunate that in a formative period of electrical installations in the Army, this division has been under the charge of Capt. Edgar Russel, Signal Corps. The most important work has been the designing, testing, and inspecting of electrical instruments and of subterranean and submarine cables. In connection therewith many important experiments have been necessary in order to determine what electrical appliances, under complex conditions of fire-control installations, would furnish the most efficient and economical service. In this connection Captain Russel says:

> Extensive tests have been made to determine the best kinds of batteries, instruments, and material. The instruments issued have been carefully checked, obviating, in several important cases, the issue of false standards, which would have vitiated the measurements and caused great trouble.
>
> As an example of the value of such theoretical and practical consideration may be mentioned the complete circuits now (lately) put in in the Portland district. Through experiments in the testing room the proper arrangement of choke coils, etc., was determined so that a telegraphic clock or bell circuit could be placed upon the same metallic circuit with a telephone. About 40 per cent of the conductors necessary in the long submarine cables were thus saved, the economy in this district alone amounting to about $15,000.

It became necessary, in default of officers, to supplement the commissioned force of the Signal Corps by a suitable organization of electrical engineers and other expert assistants. Through the cooperation of the United States Civil Service most satisfactory employees have been obtained after competitive examination and certification. Of these there are now employed two electrical engineers, five assistant electrical engineers, two electrical assistants, a draftsman, an electrical-instrument maker, and a skilled laborer. The two electrical engineers, Townsend Wolcott and R. A. Klock, are men of unusual professional ability, with which are conjoined qualities of adaptability and resourcefulness.

In addition to important experimental work in the Signal Office, Captain Russel made, through the courtesy of the Safety Insulated Wire and Cable Company, of New York, and of the Simplex Electrical Company, of Boston, valuable experiments on the various rubber compounds used as insulators of submarine and other cables. These experiments indicate that the higher insulation resistances correspond to increased percentages of Para rubber, that the mineral ingredients give mechanical strength with falling off of elongation, and that the Signal Corps' standard of 30 per cent of Para rubber appears to combine in the greatest degree desirable mechanical and electrical qualities. The length of vulcanization for producing the best insulation resistances was not conclusively determined.

EXAMINING DIVISION.

All accounts and returns from officers of the Army have been promptly rendered, fully examined, and are generally in a satisfactory condition. As far as the action of this division is concerned, all accounts have been forwarded to the Auditor within the time specified by law. The excellent state of work in the examining division is indicated by the fact that every application for certificate of indebtedness has been answered the day of its receipt in the division, thus expediting the settlement of claims of exofficers and heirs.

TELEGRAPH DIVISION.

Under the direction, first of Capt. Edgar Russel, and later of Capt. Leonard D. Wildman, Signal Corps, the work of this division has been kept up to date, despite the enormous increase in the volume of new business caused by the increase of the Alaskan telegraph lines.

An improved card record device, by Mr. J. B. L. Hickerson, an efficient clerk, has greatly facilitated work of the division, both in connection with the reports and accounts of telegraph officers, and also in handling the large number of requisitions which come to this division for action and completion.

ESTIMATES AND EXPENDITURES.

For the purpose of coordination, the estimates of the Signal Corps for the fiscal year ending June 30, 1905, have been divided into two parts—one covering the Signal Corps proper for the army bill and the other fire-control installation in coast defenses for the fortification bill.

The estimates for the army bill aggregate $530,080, being a decrease of $144,920 as compared with appropriations for similar purposes for the fiscal year ending June 30, 1904.

The estimates for the Signal Corps proper cover two items—the first for the general work of the corps, amounting to $208,500. The small increase of $48,500 is necessitated by the addition of 2,000 miles of land lines and cables in the past year, which can not be maintained efficiently without this appropriation. The second item, for the continuance of the Alaskan cable system, amounts to $321,580. There was appropriated for Alaskan cables during the present year the sum of $485,000.

This item of $321,580 for the purchase, installation, operation, and

maintenance of a submarine cable for connecting the headquarters Department of the Columbia with military garrisons in Alaska, said cable to extend from Sitka, Alaska, to Fort Liscum, Alaska, is necessary to connect the western Alaskan military telegraph section, of 1,619 miles, with the eastern section of 1,500 miles, and make it a homogeneous system, extending from Nome, Alaska, to Seattle, Wash. It will give the United States direct telegraphic control of Alaska, independent of the Canadian telegraph lines, over which all military messages are now necessarily transmitted to and from the western military telegraph section, 1,619 miles in extent.

The estimates for the fire-control installation in coast defenses for the fortification bill aggregates $1,024,794. This item is made up as follows:

Installations at 438 emplacements, at $2,113 each	$925,494
Repairs and improvements of fire-control installations already established.	68,300
Salaries of electrical experts, engineers, and other necessary employees	31,000
	1,024,794

This is an increase of $635,794 over the amount appropriated for this purpose during the fiscal year ending June 30, 1904. The number of emplacements and the estimated cost of the installation of each are based upon the statement of the Chief of Artillery that this amount will be required for the proper installation of the artillery fire-control system during the fiscal year ending June 30, 1905. The item of $68,300 is 10 per cent of the value of fire-control systems already installed, and is considered reasonable for the necessary repairs and improvements to the electrical apparatus used in this service. The amount of $31,000 is a reasonable compensation for the electrical experts, engineers, and other necessary employees required to cooperate with officers of the Signal Corps in the inspection and installation of wires, cables, and other necessary electrical apparatus and instruments required in the fire-control system.

There has been no appreciable reduction of expenses in the Philippine Islands during the fiscal year, and the demands upon the Signal Corps for service have continued. In view of this condition no reduction therefor is made in estimates for cost of operations during the fiscal year ending June 30, 1905.

There has been no noticeable improvement in the facilities for obtaining electrical appliances in the Philippine Islands, either as regards quantities or prices, and the policy of the Chief Signal Officer in maintaining liberal supplies for the reconstruction and equipment of military telegraph and telephone lines must necessarily continue until a market commensurate with the demand is to be had at Manila.

UNITED STATES ARMY AND WAR DEPARTMENT LIBRARY.

This library is an important auxiliary to the educational needs of the service wherever army officers can be conveniently reached by mail, the more extended circulation being authorized by General Orders, No. 21, War Department, Adjutant-General's Office, series of 1894.

By a direct order of the Secretary of War in 1893, the library was placed under the supervision of the Chief Signal Officer of the Army, he being charged with the general supervision of the library work.

The labors of the Chief Signal Officer of the Army have been greatly lightened by the efficient services of the librarian, Mr. James W. Cheney.

Within the past ten years the number of volumes has been doubled, while the general usefulness of the collection has increased in still greater proportion.

Professional publications only are purchased for the library, including, besides strictly military publications, history, geography, administration, and kindred subjects of importance to the War Department and the Army. Especial attention has been paid, since the beginning of the Spanish war, to works treating of Cuba, colonial administration, China, Japan, Porto Rico, and the Philippines.

The total number of books in the library proper, excluding duplicates, on June 30, 1903, is estimated at 47,550. The accessions for fiscal year 1902–3 were divided as follows: Purchases, 795; exchange, 358, under the law of January 12, 1895; donations, 1,397. The loans to army officers and Department employees during the year were 16,600. The number of books consulted during the year was 7,500.

For historical and technical reference this library is often visited by authors and consulting students, who appreciate its valuable resources and easy accessibility. The library not only contains the highest authorities on military history and science but has one of the finest collections of Congressional documents in existence.

The Chief Signal Officer notes with pleasure the gratifying results of better classification and more effective service, due to the intelligent methods of Librarian James W. Cheney and his staff.

DISTRIBUTION OF WAR DEPARTMENT DOCUMENTS.

Nearly all the publications issued by the War Department are received, temporarily stored, and carefully distributed by this division. About 65,000 documents have been disposed of during the year. This work has been most efficiently performed, and the employees are entitled to credit for having accomplished such satisfactory results under very unfavorable working conditions.

A. W. Greely,
Chief Signal Officer.

REPORT OF THE CHIEF OF THE RECORD AND PENSION OFFICE.

Record and Pension Office,
War Department, September 26, 1903.

Sir: In submitting my annual report for the fiscal year ended June 30, 1903, I beg leave to state that, as usual, since the organization of the Record and Pension Office, the public business has been promptly dispatched, 92 per cent of the cases received having been disposed of within twenty-four hours from the time they reached the Office, and at the close of business on the 30th of June, as on the last day of every fiscal year during the existence of the Office, not one case remained unacted upon. This result has been accomplished by the adoption of approved business methods and the unremitting labor and earnest cooperation of the clerical force.

The current work for the last fiscal year is represented in part by the following table:

Number of cases received and disposed of.

From the Pension Office	78,686
From the Auditor for the War Department	21,192
Remuster cases	1,991
Desertion cases	1,987
All other cases, miscellaneous	37,604
Total	141,460
On hand June 30, 1903	None.

In addition to the cases referred to above, 11,707 informal calls were received from the Quartermaster-General of the Army for information for use in connection with applications for headstones to mark the graves of deceased volunteer soldiers, and about 1,650 from the Adjutant-General of the Army for the records of former officers of volunteers applying for appointment in the Regular Army or to determine the relative rank of those already appointed, and for the records of former volunteer soldiers with a view to their enlistment in the Regular Army or to establish their title to longevity pay; making a total of about 154,847 cases received and disposed of by the Record and Pension Office during the fiscal year.

The pension cases referred to in the statistical table were of the usual variety, consisting of calls from the Commissioner of Pensions for information relative to the service or medical treatment of officers and enlisted men of the disbanded volunteer forces, or information relative to their status in the service. Classified by wars, they were as follows: Philippine insurrection, 1,650; war with Spain, 14,965; other wars (principally the war of the rebellion), 62,041.

The cases from the Auditor for the War Department, consisting of calls for statements of service of officers and enlisted men, or for specific information relative to their service or status, classified by wars, were: Philippine insurrection, 2,582; war with Spain, 1,794; other wars (principally the war of the rebellion), 16,816.

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CERTIFICATES OF MERIT AND MEDALS OF HONOR.

The practice of the Department with regard to the issue of certificates of merit and medals of honor is of interest to a large number of persons formerly of the volunteer service, and as this practice was modified to some extent during the fiscal year, especially with regard to the issue of medals of honor, in which former members of the volunteer forces are more particularly interested, it is deemed proper here to insert a brief statement of the decisions of the Secretary or the Acting or Assistant Secretary of War on the subject. These decisions are to the following effect:

A certificate of merit can only be granted upon a recommendation therefor made, while the person to whom the grant of the certificate is recommended was in the military service of the United States as an enlisted man, by the officer who, at the time such enlisted man distinguished himself, was commanding the regiment, or was chief of the corps to which the enlisted man belonged.

The word "corps," as used in section 1216 of the Revised Statutes, as amended by the acts of Congress approved February 9, 1891, and March 29, 1892, is construed to mean any staff corps or department of the Army.

Unless the officer in immediate command of a regiment at the time an enlisted man thereof distinguished himself has specifically recommended the award of a cer-

tificate of merit to that man, such a certificate can not be granted to him upon the recommendation of any superior commander or of any other officer.

When an officer, noncommissioned officer, or private in the military service of the United States has most distinguished himself in action, a medal of honor can be awarded to him, regardless of whether he is in the military service or not, provided that an application or recommendation for the award of the medal to him was made while he was in the military service.

A medal of honor can not be awarded to a person not in the military service of the United States for most distinguished service formerly rendered by him as an officer, noncommissioned officer, or private unless an application or recommendation for the award of a medal to him was made while he was in the military service.

INDUCTION OF STATE MILITIA INTO THE MILITARY SERVICE OF THE UNITED STATES.

In the transaction of the current business of the office and the compilation of the records of individual military service by the index-record card system, questions are constantly arising relative to the status of officers and enlisted men and the organizations to which they belonged. It frequently becomes necessary to determine whether or not an individual or an organization was in the military service of the United States. The practice of the Department with regard to volunteers and the volunteer service generally has become so well established that there is seldom any difficulty in determining whether any particular volunteer organization or any particular member of it was or was not in the United States military service, but until recently there was not the same certainty with regard to the status of State militia under call by the President, and cases frequently arose in which there was considerable doubt and uncertainty as to whether certain militia organizations or certain members thereof could be regarded as having been lawfully in the military service of the United States or not, or if in that service when and by what particular act they were inducted into the service. The question was, "What is necessary to induct State militia into the military service of the United States under a call by the President?

It has indeed been the practice of the United States from a very early period in its history to cause such militia troops to be inspected and mustered into its own service by its own agents, at rendezvous of its own selection, the mentally or physically infirm being rejected; and it has also been uniformly held by the War Department that the act of muster in marked the transition from the State service to the service of the United States, the persons rejected by the United States mustering and inspecting officer not being recognized as having been in the service of the United States at all. A different view has obtained and been applied in certain cases by officials not connected with the War Department, and in order that the practice of the War Department might be settled upon a satisfactory foundation the question was referred by the Secretary of War to the Attorney-General, who expressed the opinion that the date of muster in fixes the time of entry into the United States service, and that the practice of the War Department to regard militia organizations and their members as not in that service until the date of muster in is amply supported by the decisions of the Supreme Court and the opinions of the Attorneys-General.

This opinion and the conclusions previously reached by the Chief of the Record and Pension Office on the same subject were concurred in by the Secretary of War, who directed, June 18, 1903, that the prac-

tice of the War Department be governed by them in the future. That portion of the "conclusions" which is of general application is as follows:

During the entire period of the civil war, muster in or its equivalent was necessary to induct militia into the military service of the United States.

The equivalent of muster in, or constructive muster in, in the cases of volunteers or of militiamen called out by the President, is such treatment of those volunteers or militiamen by the United States, through its own agents, as clearly shows the intention of the United States to accept those volunteers or militiamen into its own service and to make them its own soldiers, free from all control as soldiers except the control of the United States. That intention is manifested by the United States placing the men on military duty, uniforming, arming, equipping, subsisting, and paying them, and taking their names up on the official rolls—in short, by treating them substantially as the United States treats soldiers who have been formally mustered into its service.

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LEGISLATION FOR THE RELIEF OF DESERTERS AND DISMISSED OR DISHONORABLY DISCHARGED OFFICERS AND ENLISTED MEN.

Since the close of the civil war Congress has enacted for the relief of officers and enlisted men many laws the constitutionality and propriety of which may well be questioned. The class of legislation referred to is that in which Congress undertakes to nullify the proceedings, findings or sentences of courts-martial, to revoke executed orders of dismissal or dishonorable discharge, to remove charges of desertion, or to substitute honorable for dishonorable discharges.

Aside from any question as to its constitutionality, this legislation is objectionable because it undertakes to accomplish the logically and physically impossible, and because it falsifies the records by declaring by legal enactment that things that were done were not done and that things not done were in fact done.

The responsibility for this class of legislation rests primarily with the War Department, because, before Congress began to enact such laws, it was the practice of the Adjutant-General's Office, in disposing of cases of the character in question, to issue orders in which it was attempted to accomplish the impossible things for which the intervention of Congress is now obtained. In this way, and by its recognition by the Executive Department of the Government, the indefensible course which the Government has pursued has obtained such a foothold that it seems to be difficult to remedy the evil except by substituting for the illogical language of the legislation in its most objectionable form other less objectionable though admittedly unsatisfactory language.

If the legislation under consideration be examined in its various aspects, these questions suggest themselves:

1. As to its constitutionality in undertaking, directly or indirectly, to set aside in certain cases the executed legal sentences of courts-martial or the executed legal orders issued by competent authority in cases other than court-martial cases, and the possibility of undoing in any case, court-martial or other, a fully executed act.

2. As to its relation to the pardoning power.

3. As to whether there is not a constitutional and appropriate way of granting relief in meritorious cases.

In the exercise of its constitutional power "to make rules for the government and regulation of the land and naval forces" Congress has provided a system of military courts for the trial of military offenses

and has defined the punishments which such courts may award. These courts when once created become a part of the executive branch of the Government and can not, when acting within their legal powers, be interfered with by the judicial branch of the Government. In the case of Dynes *v.* Hoover (20 How., 65) the Supreme Court expressly recognized their independence within their own special and limited spheres. Citing the provisions of the Constitution giving Congress the power to provide and maintain a navy (this was a case arising in the Navy) and to make rules for the government and regulation of the land and naval forces, and the fifth amendment, which excepts cases arising in the land and naval forces from the requirement of a presentment of a grand jury in cases of capital or otherwise infamous crime, and the clause declaring the President to be Commander in Chief, the court (through Mr. Justice Wayne) said that—

> These provisions show that Congress has the power to provide for the trial and punishment of military and naval offenses in the manner then and now practiced by civilized nations; and that the power to do so is given without any connection between it and the 3d article of the Constitution defining the judicial power of the United States; indeed, that the two powers are entirely independent of each other. * * * Courts-martial derive their jurisdiction and are regulated with us by an act of Congress, in which the crimes which may be committed, the manner of charging the accused, and of trial, and the punishments which may be inflicted, are expressed in terms; or they may get jurisdiction by a fair deduction from *the definition of the crime*. * * * What those crimes are, and how they are to be punished, is well known by practical men in the Navy and Army, and by those who have studied the law of courts-martial, and the offenses of which the different courts-martial have cognizance. With the sentences of courts-martial which have been convened regularly, and have proceeded legally, and by which punishments are directed, not forbidden by law, * * * civil courts have nothing to do, nor are they in any way alterable by them. If it were otherwise, the civil courts would virtually administer the rules and articles of war, irrespective of those to whom that duty and obligation has been confided by the laws of the United States, from whose decisions no appeal or jurisdiction of any kind has been given to the civil magistrate or civil courts.

This exposition of the law has been repeatedly affirmed by the Supreme Court. (See Ex parte Reed, 100 U. S., 13; Wales *v.* Whitney, 114 U. S., 564; Smith *v.* Whitney, 116 U. S., 167; Kurtz *v.* Moffitt, 115 U. S., 487; Coleman *v.* Tennessee, 97 U. S., 514; Ex parte Vallandigham, 1 Wall., 243; Ex parte Milligan, 4 Wall., 123; Swaim *v.* United States, 165 U. S., 553; Carter *v.* Roberts, 177 U. S., 496; Carter *v.* McClaughry, 183 U. S., 365.)

Clearly the judicial branch of the Government can not interfere with courts-martial in the legal exercise of their jurisdiction. Can the legislative branch do so? If it can, why may it not also similarly interfere with the jurisdiction of the Federal civil courts of its creation? It creates and defines the jurisdiction of both. If it may, directly or indirectly, set aside the legal judgment of the one, why may it not of the other? Undoubtedly the legally executed judgments of the civil and military courts are equally beyond the reach of legislative action.

Courts-martial are instrumentalities of the executive branch of the Government, and what is true in this regard as to their executed sentences is equally true as to all other executed executive acts relating to the military establishment, such as the dismissal of officers and the discharge, other than honorable, of enlisted men without trial by court-martial. There is no difference whatever in this respect between legally executed court martial sentences and other legally executed executive acts.

Judge-Advocate-General Lieber, in his Remarks on the Army Regulations and Executive Regulations in General, has said:

By virtue of its power to make rules and regulations for the land and naval forces, Congress covers a large field of legislation relating to the administration of military affairs. When this is done, there, however, remains a mass of matters appertaining to the military establishment, which it is necessary to "regulate." Legislation can not enter into all the details of this regulation, and, if it could, it would not be desirable, because a legislative code, controlling the whole subject of military administration, would not have the necessary elasticity. The Constitution provides a way of supplementing this power of Congress, the President, as Executive and Commander in Chief of the Army, having the power to make regulations for its government.

* * * * * * *

Many systems of regulations, besides Army and Navy Regulations, have been issued, for the transaction of the business of different branches of the Government, such as the postal, patent office, pension office, land office, Indian office, civil service, customs, internal revenue, revenue-cutter service, and other treasury and consular regulations, etc. But these systems of regulations, as they are here called, form by no means the whole of that mass of regulation law which constitutes so large and important a part of our administrative law. All regulations are not collected together in systems or groups, but an enormous mass of them consists of individual regulations, the knowledge of whose existence even is ordinarily limited to the few who have to apply them to the subjects to which they relate.

What is here said with reference to executive regulations is true also with reference to other executive acts which can not perhaps be strictly classified as regulations, although it would not be going very far to say that when the executive military power does an act affecting the military record of a soldier this is in effect to regulate or to put forth a regulation in the case. The President derives his power to do these acts directly from the Constitution or from acts of Congress. In the case of Cunningham *v.* Neagle the Supreme Court of the United States said:

The Constitution, section 3, Article II, declares that the President "shall take care that the laws be faithfully executed," and he is provided with the means of fulfilling this obligation by his authority to commission all the officers of the United States, and, by and with the advice and consent of the Senate, to appoint the most important of them and to fill vacancies. He is declared to be Commander in Chief of the Army and Navy of the United States. The duties which are thus imposed upon him he is further enabled to perform by the recognition in the Constitution, and the creation by acts of Congress, of Executive Departments, which have varied in number from four or five to seven or eight, the heads of which are familiarly called Cabinet ministers. These aid him in the performance of the great duties of his office, and represent him in a thousand acts to which it can hardly be supposed his personal attention is called, and thus he is enabled to fulfill the duty of his great department, expressed in the phrase that "he shall take care that the laws be faithfully executed."

Is this duty limited to the enforcement of acts of Congress or of treaties of the United States according to their *express terms*, or does it include the rights, duties, and obligations growing out of the Constitution itself, our international relations, and all the protection implied by the nature of the Government under the Constitution? (135 U. S., 63.)

Commenting on the foregoing, Judge-Advocate-General Lieber said:

And the court, Mr. Justice Miller delivering the opinion, then give a number of examples of proper occasions for the exercise of this Executive power, and conclude that, while there is no express statute authorizing the appointment of a deputy marshal, or any other officer to attend a judge of the Supreme Court when traveling in his circuit, and to protect him against assaults or other injury, the general obligation imposed upon the President of the United States by the Constitution to take care that the laws are faithfully executed, and the means placed in his hands, both by the Constitution and the laws of the United States, to enable him to do this, impose upon the Executive Department the duty of protecting a justice or judge of any of

the courts of the United States, when there is just reason to believe that he will be in personal danger while executing the duties of his office. (Remarks on the Army Regulations and Executive Regulations in General.)

So the executive acts relating to the administration of military affairs (which, it must be kept in mind, are generally an exercise of the President's power, carried out through his agents) derive their sanction from legislation, if there be any, and, if there be none, from the President's power as Commander in Chief. Where Congress is vested with a jurisdiction it may limit that of the President, but when it is not, or until it exercises its jurisdiction, the acts of the President done within the scope of his discretionary constitutional or statutory powers are conclusive; as are also the acts of his subordinates legally done as his agents. These acts can not be disturbed by either the judicial or legislative branch of the Government. Neither of these can annul the acts of the coordinate executive branch done within the scope of its constitutional power.

The departments of the Government are legislative, executive, and judicial. They are coordinate in degree to the extent of the powers delegated to each of them. Each, in the exercise of its powers, is independent of the other, but all, rightfully done by either, is binding upon the others. (Dodge *v.* Woolsey, 18 How., 347.)

A practical knowledge of the action of any one of the great departments of the Government must convince every person that the head of a department, in the distribution of its duties and responsibilities, is often compelled to exercise his discretion. He is limited in the exercise of his powers by the law; but it does not follow that he must show statutory provision for everything he does. No government could be administered on such principles. To attempt to regulate, by law, the minute movements of every part of the complicated machinery of government would evince a most unpardonable ignorance on the subject. Whilst the great outlines of its movements may be marked out, and limitations imposed on the exercise of its powers, there are numberless things which must be done that can neither be anticipated nor defined, and which are essential to the proper action of the Government. (U. S. *v.* Macdaniel, 7 Pet., 13, 14.)

When power or jurisdiction is delegated to any public officer or tribunal over a subject-matter, and its exercise is confided to his or their discretion, the acts so done are in general binding and valid as to the subject-matter. The only questions which can arise between an individual and the public, or any person, denying their validity, are power in the officer and fraud in the party. All other questions are settled by the decision made or the act done by the tribunal or officer, whether executive, legislative, judicial, or special, unless an appeal or other revision is provided for by some appellate or supervisory tribunal prescribed by law. (Belcher *v.* Linn, 24 How., 522.)

Can executive acts, when once fully carried into execution so that there remains nothing in regard to them to be done, be undone by the executive department itself? The answer is that this is absolutely impossible. No power can undo any legally and fully executed executive act. It is beyond the power of man, and it must, therefore, be an absurdity, using the term in its logical sense, to formally declare that those completed acts were not done, and that, instead, other acts were done, which in fact were not done. It may be possible in some way and for certain purposes to grant relief to the person who was the subject of the act, but it is not possible to wipe the past and fully executed act out of existence.

What is really intended by all legislation of this kind, that for removal of the charge of desertion included, is that the President or the Secretary of War shall do something that will obliterate some other thing that was done in the past. In the case of an officer dismissed in execution of the sentence of a court-martial, it is intended that the *executed sentence* of dismissal shall be annulled, and in the case

of an officer dismissed by order, it is intended that the *executed order* of dismissal shall be rendered inoperative. But it is impossible to accomplish this by legislation, by executive act, or by both combined. The act of dismissal, whether in pursuance of a court-martial sentence or of an executive order, is a thing done that can not be undone. A man shot to death in pursuance of a court-martial sentence or of an executive order is no more beyond the reach of anything that Congress or the Executive can do to him or for him, in the way of undoing what was done to him, than is an officer who was lawfully dismissed from service. It is a fact that the one was shot and the other dismissed, and that fact will remain in spite of all that human power can do. Any change of record to show a different state of facts with regard to them will be a falsification of the records, and the issuance of a certificate of discharge in the case of either of them would be the issuance of a false certificate. And to undertake to revoke a duly executed order of dismissal, no matter how unmerited or injudicious that order may be deemed to have been, is a vain and foolish thing. To revoke or modify such an order is an impossibility. And it is equally vain and foolish to issue an order purporting to discharge from the military service a person who is not in that service. It is not in the power of the President or the Secretary of War, even though Congress may have specifically declared that it is or shall be, to discharge a man from the military service who is not now in that service, although he may have been in the service at some prior date. A certificate of discharge is merely evidence of the fact of discharge, and to issue, in the case of a dismissed officer, of a dishonorably discharged soldier, or of a deserter, a certificate to the effect that he is now, or was at some prior time, honorably discharged is to issue a false certificate.

A fact in the military history of a soldier is beyond the power of recall, and can no more be obliterated than can the fact of the conviction of a man in a civil court of a felony be obliterated from the record of his life. If any disability remains, this may be removed by pardon, or by legislative act if it can not be reached by pardon, but the fact of his conviction remains.

If it were practicable to set aside the fact that a soldier deserted or was dishonorably discharged and make it nonexistent, it would be equally possible to obliterate any other or all other actual facts from his military history. It might thus be made to appear that A and B and C, or a whole organization, never were in the military service at all, although there be conclusive record proof that they were. And if any one thing can be set up as an existent fact in the past military record of a soldier, although no such thing actually occurred, so might any number of things, and a new and fictitious record thus be given the soldier covering the whole term of his military service. The exercise of such a power as this would easily lead to the most preposterous and absurd results.

But, if these things could be done and it were possible to go back two or forty or a hundred years and change completed events (for time is not of the essence of the proceeding, and if such proceeding can be taken with reference to the near past so may it also with reference to the more distant period), then the question arises what bearing such legislation would have on the pardoning power.

In ex parte Garland, 4 Wall. [71 U. S.], 380, Mr. Justice Field, speaking for a majority of the court, says: "A pardon reaches both the punishment prescribed for

the offense and the guilt of the offender; and when the pardon is full, it releases the punishment and blots out of existence the guilt, so that in the eyes of the law the offender is as innocent as if he had never committed the offense." This is probably as strong and unqualified a statement of the scope and efficacy of a pardon as can be found in the books. And yet I do not suppose the opinion is to be understood as going the length of holding that while the party is to be deemed innocent of the crime by reason of the pardon from and after the taking effect thereof, that it is also to be deemed that he never did commit the crime or was convicted of it. The effect of the pardon is prospective and not retrospective. It removes the guilt and restores the party to a state of innocence. But it does not change the past and can not annihilate the established fact that he was guilty of the offense. * * * The answer to the question, Has he behaved as a man of good moral character? must still be in the negative; for the fact remains, notwithstanding the pardon, that the applicant was guilty of the crime of perjury—did behave otherwise than as a man of good moral character. (In re Spenser, 22 Federal Cases, 921.)

Whilst Congress has no power, by legislation, to abridge the effect of the President's pardon, yet Congress has the right to prescribe qualifications and conditions for enlisted men, and to forbid those not possessing such qualifications, and as to whom such conditions do not exist, to enter the military service. So, whilst the President's pardon restores the criminal to his legal rights and fully relieves him of the disabilities legally attaching to his conviction, it *does not destroy an existing fact*, viz, that his service was not honest and faithful. (22 Opin. Atty. Gen., 39.)

A pardon is not retroactive. It cannot remit an executed punishment or restore an executed forfeiture resulting either by operation of law or sentence. It cannot therefore restore the forfeitures incident upon desertion. Further, it cannot modify past history, or reverse or alter the facts of a completed record. From and after the taking effect of a pardon, the recipient is innocent in law as to any subsequent contingencies, but the pardon does not annihilate the fact that he was guilty of the offense. The pardon, indeed, proceeds upon the theory that the party was guilty in fact. The asking for it is an admission of guilt, and the granting of it is a recognition of the fact of guilt. Thus *held* that the President could not, by a pardon, remove the charge of desertion from the record of a former soldier who had long since become a civilian by reason of the muster-out and non-existence of the volunteer army to which he had belonged in the war of the rebellion, and that the effect of his pardon would not be to give him an honorable discharge. A pardon would not only not remove a charge of desertion, but would in fact confirm it and constitute an additional reason for retaining it on the record. And a party cannot, by an executive act, be discharged from the service unless he is *in* the service. (Digest Opin. Judge Adv. Gen., sec. 1879.)

A pardon can not obliterate the fact of dismissal, nor can it give to a dismissed officer any of the rights or benefits that are provided by law exclusively for honorably discharged officers. (Spenser's case, 22 Fed. Cas., 921. Opin. Atty. Gen. IV, 274; XV, 290; XXII, 36. See also opinions of the Judge-Advocate-General of April 20 and June 14, 1897, in the case of Thomas Buchanan, and Digest of Opinions of the Judge-Advocate-General, secs. 1869, 1880, 2041.) If an officer were suffering a continuing punishment, as is sometimes the case, where the court-martial sentence awards a forfeiture of pay or confinement for a specified period or a loss of relative rank, a pardon would remove any unexecuted part of the forfeiture or confinement or might restore him to his former relative rank, but it can not relieve him from an executed sentence of dismissal or any other executed sentence. And the same remarks apply with equal force to the cases of deserters. A pardon restores citizenship forfeited by those whom a court-martial has convicted of the crime of desertion, because loss of citizenship is a statutory and continuing *addition to the punishment* imposed by court-martial in such cases (R. S., 1996, 1998; Kurtz *v.* Moffitt, 115 U. S., 501, and cases there cited); but it can not make the deserter, whether convicted by a court-martial or not, an honorably discharged soldier, nor can it give him the right to pension under the act of June 27, 1890, or any other rights or benefits that are restricted

by law to honorably discharged soldiers. Indeed, almost all this legislation for the relief of deserters and of dismissed or dishonorably discharged officers and men is enacted because it is well understood that a pardon will be of no material benefit to them.

And legislation of this character, even when merely permissive, is not equivalent to an authorization to the President or the Secretary of War to review court-martial or other proceedings had in the past, because such a review, and any declaration of conclusion reached as a result of it, would be futile. It would not change the status of a dismissed officer in any way to have the President or the Secretary of War review his case and subsequently publish a declaration that the officer was unjustly dismissed.

But, if this were not true and if fully executed sentences of courts-martial, or fully executed legal orders issued by competent authority in cases other than court-martial cases, could be reached by the pardoning power, then all legislation purporting to set aside or to authorize the President or Secretary of War to set aside the executed sentences of courts-martial, or to review the proceedings of courts-martial whose sentences have been executed, or to revoke fully executed legal orders issued in any case, court-martial or other, would be both unnecessary and unconstitutional. The pardoning power of the President is complete and absolutely independent of any action of Congress. Congress can not add to it nor encroach upon it.

The power of pardon conferred by the Constitution upon the President is unlimited, except in cases of impeachment. * * * The power is not subject to legislative control. (Ex parte Garland, 4 Wall., 334.)

Where it was proposed to authorize and direct the Secretary of War, by act of Congress, "to revoke and set aside the proceedings had by a court-martial * * * during the month of November, 1865, and to remit the sentence promulgated thereunder by order of April 13, 1866," *held* that it was beyond the constitutional power of Congress to thus invest the Secretary of War with the pardoning power and to extend it to a sentence long since carried into execution. The pardoning power of the President can neither be added to nor detracted from by legislation, and it has been repeatedly held with reference to this power that it can not reach an executed sentence. It must be therefore beyond the authority of Congress to vest in a subordinate official a power to pardon, which the constitutional pardoning power can not exercise. Congress can not in this or any other way undo the executed judgment of a court-martial. (Digest Opin. Judge Adv. Gen., sec. 1880.)

If the pardoning power could reach such cases, no action of Congress would be necessary, but the pardoning power can not reach them, and it is beyond the authority of Congress to add anything to that power. It would seem, therefore, that legislation purporting directly to set aside legally executed sentences of courts-martial or other executive acts is unconstitutional, as is also all legislation undertaking in any way to regulate the exercise of the pardoning power.

The next question to be considered is whether there is any constitutional way of granting relief in meritorious cases. So far as regards the pension laws, or any other laws granting benefits on account of military service rendered, there is no *legal* difficulty. Congress has full power over such legislation and may declare who shall and who shall not be entitled to its benefits. It may make dishonorably discharged officers and enlisted men, and deserters, pensionable if it sees fit to do so. And if it disqualifies them as a class it may remove the disqualification from the class or in individual cases. There is a direct way of doing this, and that is by so wording the legislation as to confer on the officer or enlisted man the benefits of the pension or other laws *as though he*

had not been dismissed, had not been dishonorably discharged, or *had not deserted*. Such legislation would be clearly constitutional and would not be open to the objection that it is illogical or that it attempts to effect an impossibility. It would not make a good record of a bad one, but for the reasons stated this can not be done in such cases as are now under consideration. However, it is believed to be the only strictly consistent legislation that can be enacted in such cases. If it should be deemed to be unsatisfactory because it recognizes and is based on the discreditable fact which it is desired to cover up, there seems to be no other way of granting relief (excluding the actually unconstitutional legislation) than the anomalous one of so wording the legislation that, instead of undertaking to do the logically impossible, it shall provide that those whom it is desired to relieve shall *hereafter be held and considered* to have been honorably discharged, and not to have deserted, to have been dishonorably discharged, or to have been dismissed the service.

Such language removes the principal objection to the class of legislation which has been referred to, inasmuch as it does not encroach upon the constitutional powers of the President nor actually substitute a fiction for a fact. But it can not be denied that it is anomalous in prescribing that a thing which has never occurred shall be "considered" to have occurred, or that a thing which has occurred shall be "considered" not to have occurred. It is, however, only as a substitute for still more objectionable legislation that this form of expression is suggested.

CLERICAL FORCE.

In closing this report, I have pleasure in expressing my appreciation of the ability, zeal, and fidelity with which the employees of this office have performed the laborious and often difficult duties imposed upon them.

Very respectfully,

F. C. AINSWORTH,
Brigadier-General, U. S. A.,
Chief Record and Pension Office.

The SECRETARY OF WAR.

REPORT OF THE PHILIPPINE COMMISSION.

MANILA, P. I., *December 23, 1903.*

SIR: The Philippine Commission has the honor to submit to you its fourth annual report, which is accompanied by the reports of the civil governor, the secretary of commerce and police, the secretary of finance and justice, the secretary of the interior, and the secretary of public instruction. The reports were delayed, due to absence and illness of two or three of the Commission, and cover varying periods. The report of the Commission extends over a period from November 1, 1902, to December 22, 1903.

The conditions of the islands as to tranquillity are quite equal, so far as peace and good order are concerned, to what they were at any time during the Spanish régime. There are centers of disturbance in the Moro country, but they do not offer any difficulty in their removal. The conditions in the Jolo group are shown in the special report of

Major-General Wood, governor of the Moro Province, and in the report of the civil governor. The Commission concurs in the recommendation of the civil governor and General Wood that the sultan and datos signing the so-called Bates treaty be notified that its terms are no longer binding on the United States or the Philippine government, and that the Jolo group and all its inhabitants, including the sultan of Jolo and the signing datos, are entirely subject to the Philippine government act and laws passed in accordance therewith.

The condition as to the food supply in the Archipelago has been dealt with at length by the civil governor in his report to the Commission, and it is sufficient to say that the $3,000,000 voted by Congress were exceedingly useful in aiding the islands to meet emergencies which grew much more serious than they were supposed to be at the time the appropriation was made. The recovery from the disastrous loss of cattle through the rinderpest must of necessity be slow, and it can not be said as yet that the Commission has reached a satisfactory solution of the difficulty, or that it can be certain that with the remainder of the $3,000,000 it may greatly alleviate the embarrassment in agriculture due to the absence of draft cattle. Still, experiments will be continued, and it may be that a remedy will be found. The civil governor in his report to the Commission has set forth at length the dispositions which have been made of the money which has been expended or appropriated out of the $3,000,000 relief fund. The law requires that the civil governor should give an account of this expenditure to the Secretary of War. There is appended to the report of the civil governor to the Commission a detailed statement of expenditures by the auditor so far as it can be made down to the date of his report. In order to prevent a duplication of matter which was properly part of the Commission's report to the Secretary of War, it is hoped that the report of the civil governor with the auditor's statement will be regarded as a sufficient compliance with the law.

The revenues of the islands were maintained for the last fiscal year, and the balance of trade for the year with respect to the islands was much more favorable. The balance of trade against the islands in merchandise was a little over $8,000,000 for the fiscal year ending June 30, 1902. For the fiscal year ending June 30, 1903, it was about $150,000 in favor of the islands, and this in spite of the importation of $10,000,000 gold of rice, an increase of nearly four millions over last year's importation.

The conditions with respect to sugar and tobacco continue to be very unfavorable, and the arguments in favor of a reduction of the Dingley tariff upon these articles to 25 per cent of the rates of that tariff on sugar and tobacco from the Philippines, grow stronger instead of weaker.

On the 22d of December, 1903, contracts were signed with the owners of the so-called friars' lands and by the civil governor, with the approval and consent of the Commission and the Secretary of War, by which, for a lump sum of $7,239,000, more or less, all the agricultural holdings of the friars in the Philippines were agreed to be transferred to the Philippine government, except about 10,000 acres, the reason for the exception of which is stated in the report of the civil governor. By these contracts, when consummated, something more than 400,000 acres, three-fifths of which have been highly cultivated land and are thickly inhabited by thousands of tenants, will be trans-

ferred to the Government. This step has been recommended by the Commission in its previous reports, by the Paris Peace Commission, and by the Schurman Commission as important in producing permanent tranquillity in the islands. Many of the tenants have urged the purchase upon the Government.

The Commission is in a position to say that the number of Spanish friars in the islands is being gradually reduced, so that out of more than 1,000 that were here in 1898 there were but 370 on December 1, 1902, and now there are but 246; that of these a number are infirm and unable to do parish work, and that 83 Dominicans have renounced parish work altogether with the Holy See, and that the policy of the church, therefore, in not sending back to the parishes Spanish friars where it can be avoided, or where they will not be well received by the people, has been sufficiently shown by the facts. The intention of the Roman Catholic Church to Americanize the church in the Philippines is also shown by the appointment of American Catholic bishops and one Filipino bishop to fill the episcopal see of the islands. Not one Spanish friar bishop remains. It is also understood from the correspondence with Cardinal Rampolla and subsequent information received, that of the money to be paid under the purchase to the religious orders by present owners, a large part will be devoted to church purposes in the islands by the supreme authority of the church. It can be safely stated, therefore, that the most important of the matters which the President and the Secretary of War proposed to adjust by sending the civil governor to Rome to confer concerning matters of difference between the Roman Church and the Philippine government have been adjusted, or are on a fair way to satisfactory settlement.

There still remain the fixing of the amount due for rent of and damages to buildings belonging to the church, occupied by United States troops, from the United States Government, and the adjustment of certain trusts, the character of which, as to being secular or religious, is in dispute.

The disposition of the friars' lands agreed to be purchased will entail a very heavy burden upon the Philippine government, but it is thought that in the course of ten or fifteen years the distribution of the lands can be successfully effected to those now lawfully in possession as tenants. The history of the negotiations for the purchase are fully set forth in the report of the civil governor.

The income from customs and other regular taxes has been falling off for the last six months, and there is some reason to expect that the income for the year ending June 30, 1904, will be considerably less than that for the year ending June 30, 1903. Much of the money which has been expended during the current eighteen months has been applied to permanent improvements or to extraordinary expenditures like the cholera ($300,000), the census ($694,000), and the St. Louis Exposition ($575,000); $2,500,000 have been expended or are under appropriation for extensive port works. It is quite possible that with the pressure for enlargement in the branches of public education and in other bureaus which call for expansion there will be a deficit during a period of reduced income, due to the depressed condition of agriculture. If provision should be made by which the Commission could issue bonds to pay for permanent improvements, like port works or the construction of heavy bridges or other works of great utility usually paid for under other governments by bond issues, the embar-

rassment of a deficit could certainly be avoided. It is thought that it would not be extending too great power to the Commission, with the consent of the President of the United States and the Secretary of War, from time to time to issue bonds not exceeding in the aggregate $5,000,000 to pay the cost of permanent improvements like the construction of port works or bridges or of large provincial or city schoolhouses. For the latter purpose, that of schoolhouses, two or three millions of dollars might easily be spent and not one dollar wasted. The crying need throughout the islands is school capacity, and the chief cause for the fact that only about 10 per cent of the children of school age attend the public schools is the limitation upon the schoolroom. The erection of handsome, permanent, airy, and healthy schoolhouses would have an excellent effect both in enlarging the school capacity and in giving ocular demonstration of the importance which the government attaches to the general system of education.

Section 66 of the so-called Philippine act of Congress provides:

> That for the purpose of providing funds to construct sewers, to furnish adequate sewer and drainage facilities, to secure a sufficient supply of water, and to provide all kinds of municipal betterments and improvements in municipalities, the government of the Philippine Islands, under such limitations, terms, and conditions as it may prescribe, with the consent and approval of the President and the Congress of the United States, may permit any municipality of said islands to incur indebtedness, borrow money, and to issue and sell (at not less than par value in gold coin of the United States) registered or coupon bonds in such amount and payable at such time as may be determined by the government of said islands, with interest thereon not to exceed five per centum per annum: *Provided*, That the entire indebtedness of any municipality under this section shall not exceed five per centum of the assessed valuation of the property in said municipality, and any obligation in excess of such limit shall be null and void.

It seems to the Commission that section 66 ought to be amended by striking out the words "and the Congress of the United States," contained in the seventh line thereof, and that with the continuance of the limitation that the bond issue shall not exceed 5 per cent of the assessed valuation of the property in the municipality, the requirement that the Commission and the President shall approve the bond issue before it can be made will be a quite sufficient barrier against abuse of the power. The cumbersomeness of the requirement that Congress shall be applied to for the issuing of bonds for any one of the nine hundred different towns of the Archipelago, will, it seems to us, at once strike the impartial observer. The limitation of 5 per cent upon the assessed valuation is of itself a very great one, and in many instances will prevent the making of useful improvements by means of a bond issue, but such as the authority is, it ought not to be restricted by a further burdensome requirement that we should go to Congress for assistance in the case of each municipality. It is sincerely hoped that there are many municipalities in which, by a bond issue of this sort, a healthful water supply could be obtained either by gravity or sunken wells, and the Commission is earnestly desirous of beginning this work as soon as possible.

Attention was called in the last report of the Commission to the fact that in the case of the bonds to be issued in the payment of the friars' lands, their exemption was made to extend not only to Federal and Philippine taxes, but also to the taxation of States, counties, and municipalities of the United States, and that by this means it was made possible to secure a very much lower rate of interest than without the exemption from State, municipal, and county taxation in the

United States. With respect to the bonds to be issued to pay for the sewer and water supply systems in Manila, the exemption did not include that from State, county, and municipal taxation. As the whole effort of the Government of the United States in these islands is a national one, it does not appear to the Commission why a distinction should be made, and it is again urgently recommended that all bonds to be issued by virtue of the Philippine act should be exempt not only from Federal and Philippine taxation, but also from State, and municipal, and county taxation.

The operation of the coastwise trade laws of the United States, in respect to trade between the islands of the Philippine Archipelago and to trade between those islands and the mainland of the United States, have been suspended by act of Congress until July 1, 1904. If Congress were to take no action and to allow the coastwise navigation laws to become applicable to the interisland trade of these islands and to the trade between the islands and the United States as they now are, most disastrous results would follow. It is earnestly recommended that the regulation of the coastwise trade, so far as it relates to the trade between the islands of the Philippine Archipelago, be left wholly to the discretion of the Philippine Commission, subject to the approval of the Secretary of War and the President of the United States, and that the trade between the islands and the mainland of the United States be continued as at present by suspending the application of the trading laws of the United States for five years longer, to wit, until July 1, 1909. The reasons for this recommendation will be found set forth in the report of the civil governor, and still more in detail in the reports of the secretary of finance and justice and the reports of the insular collector of customs, Mr. W. Morgan Shuster.

Since the above was written, it has come to the knowledge of the Commission that a bill has been introduced in Congress applying the coastwise law to trade between the islands and the mainland of the United States. The danger from this of increasing the freight rates and thus imposing an additional burden upon the trade of the islands must be obvious to anyone who has examined the facts with respect to the percentage of the business now done between the islands and the mainland of the United States in American bottoms. The Commission, of course, can not present any objection to legislation which shall unite more closely the Philippine Islands with the United States in bonds of amity and mutually beneficial business relations, but it most urgently and earnestly invites your attention, and that of Congress, to the great injustice which will be done to the islands if the law which limits the means of communication to American bottoms between the United States and the Philippine Islands does not at the same time and as a consideration for this interference with the natural laws of trade and the necessary increase of freight rates, strike down the tariff wall made by the Dingley tariff in the matter of the importation of sugar and tobacco from the islands to the mainland. The people of the islands may well ask, "What advantage are we to get out of association with the United States in a business way, if our trade is to be used only for the purpose of increasing the business of American ships while the limitation of the coastwise laws by increasing the freight rates will reduce the business that we now have with that country?"

Does not every consideration of justice require that if the Philippine Islands are to be treated as a part of the United States and sub-

ject to the coastwise laws, they should enjoy the same freedom of trade with the United States which is enjoyed by every other part of the United States to which those coastwise laws are made applicable?

We respectfully urge, therefore, that as a condition and as a consideration for making the trade between the islands and the United States coastwise trade, the duty on sugar and tobacco should be reduced to not more than 25 per cent of the Dingley rates.

Now that conditions of tranquility have been completely restored to the islands, the time has arrived for the material improvements in the islands by great works of construction, and especially the building of railroads. In tropical countries the cost of construction and maintenance of a railroad is much less in comparison with that of the construction and maintenance of a wagon road than in the temperate zone. The effect of the torrential rains on wagon roads is so destructive that their maintenance each year is almost equal to their original cost of construction in many places in the Philippine Islands where good road material is difficult to obtain. It becomes therefore more important in these islands to have railroads than wagon roads, and we believe sincerely that the stimulation of the construction of railroads by Government guaranty of a certain income is fully warranted.

We are opposed to the granting of lands as a subsidy for the construction of roads, and favor the definite fixing of the Government liability by guaranty of the income on a fixed investment. In this way we feel certain that the construction of a large part of the needed trunk lines in the islands can be brought about. In our view a guaranty of income not exceeding 4 per cent is all that is required, and in many instances a grant of less than that will supply the needed capital. We think that the making of such guaranties might well be left to the Commission, with the approval of the Secretary of War and the President of the United States.

The Commission retains its opinion already expressed that the limitation upon the holding of land in the islands by corporations to 2,500 acres is a needless hindrance to the development of the islands, and that the limitation ought either to be removed entirely or to be increased so as to allow the acquisition of at least 25,000 acres of land. In cases in which, in order to justify the expenditure of the amount of capital required to conduct sugar and other agricultural industries on a paying basis, a very large amount of money is needed, the restriction of corporations to the ownership of 2,500 acres is practically prohibitory upon such enterprises.

Again, the chief of the mining bureau and the secretary of the interior recommend that the provision of the present mining laws which prevents the location of more than one claim by a single individual or association upon a lode or deposit should be stricken out. The Commission entirely concurs in this view. Attention is also called to the fact that that part of the Philippine act which relates to mining needs some amendments of smaller importance, but which are quite necessary. Thus, both standards of measurement are used in the act, whereas the metric system alone ought to be used. Again, the recording of mining claims is forbidden without certain requisites. The chief of the bureau is strongly of opinion that all such claims ought to be recorded, and then their legal effect after recording should be left to the courts. He thinks the present provision intrusts too much power to the recording officer.

The Commission therefore has the honor to recommend that Congress be requested to enact legislation as follows:

First. Legislation which shall reduce the tariff on sugar and tobacco imported from the Philippine Islands to not more than 25 per cent of the present Dingley rates on tobacco and sugar imported from foreign countries.

Second. Legislation authorizing the Philippine Commission, with the approval of the President and the Secretary of War, to issue bonds from time to time, which shall not in the aggregate sum exceed $5,000,000, for the making of future permanent improvements.

Third. An amendment to section 66 of an act entitled "An act temporarily to provide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes," by which the consent of Congress to issue the bonds therein provided for may not be required.

Fourth. Legislation providing that all bonds authorized to be issued by the Philippine government or any provincial or municipal government thereof by act of Congress shall be made exempt not only from Federal and Philippine taxation, but from State, county, and municipal taxation in the United States.

Fifth. That control over the shipping in the trade between the islands shall be left wholly to the discretion of the Philippine Commission, subject to the approval of the President and the Secretary of War.

Sixth. That the application of the United States coastwise navigation laws to the trade between the Philippine Islands and the mainland of the United States be postponed by Congressional action until July 1, 1909; or, in the alternative, that the coastwise laws of the United States be not made applicable to the trade between the islands and the mainland of the United States, except with a proviso or condition that the rates upon imports from the Philippine Islands into the United States shall not pay duty in excess of 25 per cent of the rates on such merchandise imposed by the Dingley tariff.

Seventh. That authority be given by Congressional act to the Philippine Commission, with the approval of the President and the Secretary of War, to encourage the investment of capital in the construction of railroads for the Philippine Islands by accompanying the grants of franchises to build railroads, in cases where it is deemed necessary, with a guaranty by the Philippine government of income on the amount of the investment to be fixed in advance in the act of guaranty, the amount of income guaranteed not to exceed annually 4 per cent of the fixed principal.

Eighth. That the amount of land which may be acquired, owned, and used for agricultural purposes in the Philippines by any individual or corporation shall be extended to 25,000 acres.

Ninth. That the clause which forbids the filing of more than one mining claim by the same individual or association upon a lode or deposit be repealed.

Tenth. That the provisions of the Philippine act entitled "An act temporarily to provide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes," which apply to mining claims, and the procedure in filing them, shall be so amended that only the metric system of distances shall be used, and shall also be so amended that mining claims shall be filed whether

properly executed according to law or not, the effect of their execution and record to be left to future adjudication.

Respectfully submitted.

WM. H. TAFT, *President.*

For—

DEAN C. WORCESTER,
LUKE E. WRIGHT,
HENRY C. IDE,
T. H. PARDO DE TAVERA,
BENITO LEGARDA,
JOSÉ LUZURIAGA,
JAMES F. SMITH,
Commissioners.

The honorable the SECRETARY OF WAR.
Washington, D. C.

REPORT OF THE CIVIL GOVERNOR.

MANILA, P. I., *November 15, 1903.*

GENTLEMEN: I have the honor to submit a report to you on the general conditions in the islands and on the affairs of the bureaus which by law are under the direct supervision of the civil governor. The report of last year, upon the subjects treated in this report generally, covered a period ending October 1, 1902. I shall attempt to make this report cover the period ending December 23, 1903.

This has been a year of considerable suffering among the people of the Philippine Islands. The depressing causes referred to in my last report united to bring on in July and August last a short food supply. The worst has passed, and while the immediate future is not as bright as it might be, I believe that we are beginning an era in the history of the islands which, with the assistance of proper tariff reduction in the United States and proper navigation laws for the islands, will be one of decided material development.

In November, 1902, the price of rice rose rapidly in Manila and the provinces, and authentic information reached the Commission that a syndicate had been formed by certain merchants of Manila and elsewhere to effect a corner in this food of the people and to control its price. The situation warranted extraordinary action to prevent hardship and suffering. On the 4th of November, 1902, therefore, the Commission passed Act No. 495, a copy of which is appended under Exhibit A, appropriating $2,000,000 Mexican to defray the expense of buying and distributing rice at a reasonable price to the inhabitants of those provinces in which the market price was too high. By the terms of the law the rice was bought under direction of the civil governor and was distributed under the orders of the same officer for cash and at a price which would cover cost and all expenses. Subsequently the restriction as to price was repealed. In attempting to buy rice in Saigon, the source of rice supply nearest to the Philippines, the Commission was informed that the supply from there was exhausted. Thereupon application was made to the consul at Bangkok for Siam rice and also to the consul at Calcutta for Calcutta rice. It was found necessary to go into these distant markets because the syndicate evidently controlled the Saigon market.

The purchases of rice, with the cost of storing, distribution, and wastage, did not prove to be profitable as a mere investment. An especially severe loss was suffered in the rice purchased at Calcutta. We bought there what was called "first-class famine rice." On arrival this proved to be an inferior quality of red rice, which soon developed weevils and in its deteriorating condition had to be sold at a considerable loss. It was probably necessary to go as far as Calcutta to break the corner, but it would have been wiser to buy a better quality of rice.

None of the rice in question was given away; it was held in Manila and sent to the various provinces as word was received from the governors that the local dealers were raising the price of rice beyond what was reasonable. Our purchases in Siam and Calcutta broke the corner, and rice fell in price. It then became necessary to dispose of the rice on hand to dealers in Manila and in other parts of the Archipelago at such price as could be obtained. A large part of the Calcutta purchase was sold to a firm having control of certain small coastwise steamers of small draft which plied from port to port and peddled out cargoes of the poor rice through Chinamen. The contract of sale forbade under bond penalty, disposition of the rice at a price greater than $6.50 Mexican per picul of 137½ pounds, plus actual cost of freight. This was not an unreasonable price for that quality of rice in the provinces.

The purchases of rice under Act No. 495 in Mexican money amounted to	$1,815,974.81
And the sales amounted to	1,567,642.00
Loss from wastage and poor Calcutta rice	248,332.81

The details of these Government transactions can be seen by reference to the report of the insular purchasing agent, made an exhibit hereto, marked Exhibit B. On the purchase under Act 495 the loss to the Government, at the then prevailing rate, was thus about $100,000 gold. Considering that by this action rice at a reasonable price was secured to six millions of people for one season when they were threatened with starvation prices, the money was not badly spent. The losses sustained by the syndicate who attempted the corner was sufficient to prevent another combination of the kind. It will be noted that the money spent under Act No. 495 was appropriated from the general funds of the insular treasury, and did not come out of the three millions appropriated by act of Congress for relief of the distress in the islands, subsequently passed.

Anticipating that the small rice acreage, due to the absence of cattle and other causes, would not be sufficient to furnish food enough for the inhabitants during the year 1903, the Commission passed an act to provide against the danger of famine dated November 12, 1902, and numbered 517. By this act it was made the duty of municipal presidents in all the towns of the islands to call meetings of the people of their respective towns, and to urge them at once to take steps to secure the necessary seed and to plant quick-growing crops of corn, camotes (i. e., sweet potatoes), rice, and other food plants. Each president was authorized temporarily to allot public land within his town to citizens of the town for the purpose of planting seed and of reaping the crop. The act further authorized provincial boards to buy seed and sell it where needed to the towns, to be sold again to the inhabitants, with authority to furnish the indigent with seed and to

collect the equivalent of the same from the crop. Monthly reports of their proceedings under the act were required from the municipal presidents and provincial governors. The civil governor was required to bring the terms of the act to the attention of the people by proclamation.

The proclamation was issued in accordance with the act, and reports from the various provinces justify the statement that the act stimulated the planting of many different kinds of food-making plants and prevented much of the suffering which would have been caused by the short food supply. In parts of the islands the municipal councils exceeded their authority and made the failure to plant crops criminal offenses, and punished persons by imprisonment in jail for failure to attend to the provisions of this act and to raise the crops as the councils thought they ought. Executive action had to be taken to prevent such abuses. From the 1st of January until late in August there was a drought in the islands of unusual length, which interfered with the successful reaping of many of the crops planted under Act No. 517; and with the drought a pest of locusts came that bade fair to consume every part of the food supply that grew above the ground. Locusts have visited some provinces in the islands for two or three years past, but during this year every province seems to have been afflicted with them. In a normal state of agriculture, with the acreage of planted crops what it was before 1896, every *hacendero* or farmer, the moment that locusts appeared, had the strongest motive for uniting all the people in the suppression of the pest. If locusts are promptly attacked, driven into ditches and burned before their wings are grown, and when they are what are called "loctones" or hoppers, they can be destroyed and the losses which they cause as flying insects may be avoided. The difficulty during the past year has been that comparatively so little of the land has been cultivated that the motive for the influential *hacendero* and landowner to make great efforts to kill the locusts has not existed. The Commission became convinced from official reports received that some radical action must be taken to rouse the people to suppress the locusts. Accordingly Act No. 817, declaring the presence of locusts to be a public emergency and making provision for their suppression, was enacted on the 3d of August, 1903. By this act a board for the suppression of locusts was provided in each province, to consist of the three members of the provincial board and three agriculturalists. In each province in which locusts appeared, every able-bodied inhabitant, with a few necessary exceptions, was declared liable for service under regulations of the board, which might require the inhabitants to assemble "en masse" to suppress the pest, or might make it the duty of each inhabitant to deliver to an agent of the board a certain number of bushels of locusts a day. The municipal officers were made subject to the orders of the board, and they were required at once to give notice of the presence of locusts in any barrio of a town to the agents of the board. The board was authorized to distribute rice to those engaged in the work of suppressing locusts who were unable to support themselves during their service, and this rice, it was provided, the civil governor should purchase at the expense of the Congressional relief fund and distribute to the various provinces. Any person failing to comply with lawful regulations of the board was made subject to prosecution and a fine of $10 or ten days imprisonment, or both. The board was also authorized to procure from the civil

governor sheets of galvanized iron to be distributed to each town, and to be used as a means of obstructing the escape of locusts and of driving them into prepared ditches. These sheets of iron were also to be paid for from the Congressional relief fund.

Money has been drawn from the Congressional relief fund by virtue of Acts Nos. 738, 786, and 797, and under resolutions of the Commission adopted in accordance with the provisions of the last act. The three acts and the resolutions passed are appended to this report under Exhibit A. It was thought wise to buy rice and distribute it in the provinces to be used not only to pay for the destruction of locusts, but also for the payment of labor on the roads, for the labor in the erection of barrio schoolhouses and other public works, the construction of which in districts where the food supply was short would furnish means of living to the poor and indigent. Rice for this purpose proved generally to be better than money, because money earned and paid was too often lost in gambling, the prevailing vice among the Filipino people, whether rich or poor. Rice generally reached the mouths it was intended for.

We have purchased under Acts 786 and 797 from Congressional relief funds, rice amounting to 16,552,487 pounds, costing $732,790.15 Mexican currency, and 8,455,524 pounds, costing $348,931.93 Philippine currency. Of this 19,994,565 pounds have been distributed down to November 30 of this year, and we have on hand 5,013,446 pounds. Probably no more than this will be needed for the present year.

The following table shows the provinces to which the rice has been distributed and the purposes to which it has been devoted:

Province.	Piculs (137½ pounds to picul).	Days wages in driving and destroying locusts.	Repairing and constructing roads.	For sale to prevent exorbitant prices.	Barrio schoolhouses.	Iron for locusts (sheets).	Netting for catching locusts.
Abra	2,000	1,000		1,000		400	
Albay	5,000	500	4,500				
Ambos Camarines	4,500		3,000		1,500		
Antique	1,250	750	500			500	
Bataan						100	
Batangas	12,000	4,000	3,000		5,000	300	
Benguet	500		500				
Bulacan	10,000	2,000	8,000			500	1,000
Cagayan						100	
Capiz	5,000	1,000	3,000		1,000	500	
Cavite	6,000	1,000	5,000			100	
Cebu	5,000		5,000			1,000	
Ilocos Norte	9,700	1,000	6,200		2,500		
Ilocos Sur	2,000	2,000				500	
Iloilo	12,500	2,500	10,000			1,500	
La Laguna	820	820				100	
La Union	2,000	1,000		1,000		500	
Lepanto-Bontoc	103	51	52				
Masbate	1,000		1,000				
Mindoro	5,000		3,000		2,000		
Misamis	3,500	500	3,000			500	
Moro	100		100				
Negros Occidental	8,000	4,000	1,000			1,500	
Negros Oriental	8,500	4,000		3,000	1,500	500	
Nueva Ecija	4,500	2,000	2,500			1,000	
Nueva Vizcaya						500	
Pampanga	5,000	1,000	4,000			600	
Pangasinan	100	100				100	
Rizal	100		100				
Romblon	2,000			2,000			
Samar	2,000		2,000				
Sorsogon	1,000		4,000				
Surigao	34	34					
Tarlac	4,000	1,000	3,000				
Tayabas	8,050	3,000	4,500	a 100	450	150	
Zambales	5,400	400	2,000		3,000	100	
Total	139,957	33,655	82,252	7,100	16,950	11,450	1,000

a Provincial buildings.

The only gratuitous distribution of rice permitted was as follows:

	Piculs.
Mariquina fire sufferers	182
Indigent poor, town of Capiz, Panay	25
Relief inhabitants of Canaman, Magarao, Bombon, Quipajo, Ambos Camarines (50 piculs each town)	200
Total	407

Under date of September 18, 1903, provincial board of Occidental Negros was authorized to furnish 2 cavanes of rice per week to lepers at Macalol, Bacolod. (To be taken from rice shipped under Act 786.)

It was supposed for some time to be possible to destroy the locusts by infecting some of them with a disease from a poisonous fungus and allowing the infected ones to escape to their fellows and thus spread destruction through all of them. In exceptional instances this remedy was effective, but during the dry season it failed utterly, and it is so likely to fail at all times that it has not been deemed wise to devote any further attention to it. The destruction by locusts during the months of April, May, and June and earlier, was very great, but it is thought that the steps since taken for the protection of the crops which were seeded in July and August have been quite effective to prevent serious loss. The offer of rice for work in suppressing the locusts, with the provisions of the law referred to, summoned the entire population—men, women and children—and the result justifies the plan.

The road work done at the expense of the relief fund has been chiefly that of repairing former roads under the control and direction of the provincial supervisors. The consulting engineer has been busy preparing plans and specifications for the construction of what may well be called "insular" roads, because they will lead from one province to another or from one side of an important island to another, and are too expensive to be built under the auspices of the provincial government.

Rice has also been used in Ilocos Norte, in Tayabas, and in Cavite, and possibly it will be used in other provinces for work done in the erection of barrio schoolhouses. Almost the entire cost of these schoolhouses is in labor, and the use of rice therefore, for the construction of such houses, is very convenient. Under the laws and executive orders safeguarding the expenditure of the rice, set forth in the appendix and already referred to, the objects, places of expenditure, the amount of work done, the price at which it was done, will all be shown by accounts filed by supervisors of the provinces with the auditor, but it is impossible at the present time to submit such accounts, for the reason that sufficient time has not elapsed for their submission and audit.

The stimulus given to the cultivation of the ground this year by legislation and the efforts of the authorities has led to what is probably a greater acreage for the planting of rice and other food supplies than any year since 1889. Of course much difficulty has been found in the absence of draft cattle, but the pinch of hunger and the instruction of municipal authorities has led to the use of the existing carabao by many different farmers and to some plowing by hand. The prospect is that we shall have a better rice crop in nearly all the provinces, except, possibly, Batangas, than we have had for years. It was at first thought that all the crops would be destroyed by the continuance of the drought,

but after August rain fell all over the islands, and the rice which has seemed to be in a failing condition developed, and now gives prospect of producing a fair amount of grain.

No cases of actual starvation have been brought to the notice of the Government. In the provinces of Ambos Camarines, Iloilo, and Batangas it has been reported that there was much suffering from lack of food and this was doubtless true, but the people have always found enough camotes or tubers and other food roots to avoid starvation. Such food not properly cooked is indigestible and unhealthy, and while there were no deaths from starvation there were diseases incident to bad and insufficient food which carried off many. Among people thus badly nourished, cholera, too, found many victims.

The absence of draft cattle is likely to produce a change in the amount of rice production in these islands under normal conditions. In a number of provinces hemp is being planted. The hemp crop does not need, except for purposes of transportation, the carabao. The hemp culture is increasing very rapidly in Laguna, in Batangas, in Cavite, in the Camarines, in Union, and in other provinces where rice was the chief product. The importation of rice for the year ending June 30, 1903, exceeded that of the previous year by about three and one-half millions of dollars gold, and reached as a grand total something over ten millions of dollars gold. It is hoped that no such amount of rice will need to be imported next year, but it should be said that if the culture of hemp, copra, sugar, and tobacco pays better, the importation of some rice as food may not necessarily indicate a lack of prosperity in the country.

One of the chief objects of the Congressional relief fund was the restocking of the islands with draft animals. By Act No. 738 the sum of $100,000 was appropriated for the preliminary expenses in the purchase of draft cattle. The acting insular purchasing agent and a cattle expert, taken from the agricultural bureau, were sent to every country in the Orient whence exportation to the Philippines was possible. The purchasing agent advertised in Manila for bids at which 5,000 carabao, immunized from rinderpest, would be delivered in Manila, but the uncertainty as to the percentage of cattle that would survive the process of immunization prevented our securing a contract from responsible cattle importers in Manila. The process of temporary immunization consists in injecting into the circulation of the animal a serum which will render the animal immune from rinderpest some four or five months. Permanent immunization is only effected by a simultaneous injection of the serum and virulent rinderpestic blood drawn from a victim of the disease. The inoculators of the board of health of the islands have inoculated many carabao in provinces revisited by rinderpest, to prevent a spread of the disease, and the loss has not averaged three per cent of the animals inoculated. It was hoped that the same result might attend inoculation of animals purchased in China and subjected to inoculation at Shanghai. Accordingly, the acting insular purchasing agent made a contract with the firm of Keylock & Pratt, of that city, for the delivery in Manila of 10,000 immunized carabao at the price of 88 Mexican pesos a head; an agent of the insular government to examine and reject carabao before inoculation at Shanghai and to supervise the process, and the insular government to share the risk of loss by paying 40 pesos for each head dying on account of it. The percentage of loss from the treatment became so

great at Shanghai that both parties to the contract were glad to modify its terms by a new contract under which Keylock & Pratt agreed to deliver 10,000 carabao of certain weight and age in Manila at 79 Mexican pesos a head, temporarily immunized in China and subject to inspection at Manila. Thus far it can not be said that the contract has been successful. The truth is that the imported animals seem to be peculiarly susceptible to many other diseases than rinderpest after they are brought here. We have lost nearly an entire herd of 200 from hemorrhagic septicæmia, quite a number from surra, and others from a union of rinderpest and foot-and-mouth disease. In addition to this, we received word through the State Department at Washington that the Chinese Government would forbid the exportation of more than 1,000 animals. Our latest information, however, is that the Chinese authorities will not interfere with the fulfillment of the present contract. The following table shows the carabao transactions:

Statement November 20, 1903.

			Shanghai currency.
Total number purchased under old contract	649, at $75		$48,675.00
Total number dying at Shanghai after inoculation	435, at 40		17,400.00
Total number purchased under new contract	721, at 79		56,979.00
Total	1,805		$123,054.00
or Philippine currency			$118,805.45
Total number accepted alive		1,370	
Dispositions:			
Sale by purchasing agent		91	
23, at $100	$2,300		
68, at 70	7,060		
	$9,360		
Transfer to provinces—			
Rizal		105	
Bataan		230	
Laguna		51	
Occidental Negros		20	
Zamboanga		33	
On hand in Manila		406	
Missing		3	
Died since acceptance		429	
		1,370	

The Commisson passed Act 828 (a copy of which is appended under Exhibit A) for the purpose of prescribing a method of disposing of the carabao purchased in the provinces where they were most needed. The insular purchasing agent is authorized by the act to send carabao purchased to any province the provincial board of which shall request it, upon approval of the Commission. Sales are conducted under the auspices of the provincial board. The minimum price at cash sales is fixed at 70 Philippine pesos. The privilege of choice is to be put up for public bidding. Sales partly on time are allowed, but preference is given in choice to those buying wholly for cash. The terms of partly credit sales are 93 pesos—31 pesos cash and the balance in one and two years secured by chattel mortgage on the animal. It has also been the custom of the Commission to authorize the purchasing agent to sell in small numbers carabao at 100 Philippine pesos a head for cash, with the privilege of choice to any bona fide *hacendero* or farmer coming to Manila to buy. Of course the prices fixed will not pay the cost of the carabao, but it was not the purpose of the Commission to

charge full cost. The Commission understands the intention of Congress to be to relieve the scarcity of cattle by furnishing them to farmers at a low price.

If we assume that the carabao shown to be on hand and sold at the time of the preparation of the statement given above will continue in life, they have cost the insular government 126.65 Philippine pesos a head, without counting forage and other expenses of maintenance, which would perhaps increase the expense to 150 pesos. This is not encouraging, but experience will doubtless enable us to reduce the cost. The attitude of the Chinese Government makes it improbable that we can procure from China more than the 10,000 already contracted for there. It seems likely, though experiment will only make it certain, that it would be wiser for us to import the so-called Indian bulls and cows used now in the Straits Settlements in Java and in India for rice culture, because, though not so strong, they are hardier than the carabao and quite as good workers. I append hereto a statement as to carabao transactions to November 20, 1903, by the insular purchasing agent, as Exhibit C.

I also append a statement from the auditor showing the actual expenditures from the Congressional relief fund as Exhibit D. From this statement it appears that of the total sum of ₱6,000,000, appropriated by Congress, the sum of ₱2,691,000 has been appropriated or allotted by the Philippine Commission for the purposes of the act, and that net withdrawals from such allotments have been made amounting to ₱1,312,162.42, leaving a balance to the credit of the allotments amounting to ₱1,378,837.58. There was in the treasury on December 1 to the credit of the Congressional relief fund a balance unappropriated of ₱3,309,000, and a balance of the original fund in the treasury, allotted and unallotted, amounting to ₱4,687,837.58, or $2,343,918.79.

CONDITIONS AS TO TRANQUILLITY.

The conditions with respect to tranquillity in the islands have greatly improved during the last year, and I think it fair to say that at no time in the history of the islands has there been less ladronism than as when this is written, December 10, 1903. At the time of writing my last report the provinces of Rizal and Bulacan, in the immediate neighborhood of Manila, were disturbed by marauding bands, which are said to have derived considerable support from persons in Manila. They were under the command of one San Miguel, who professed to be the appointee of a junta representing the Filipino Republic. He drew his forces from the purlieus of Manila and from well-known ladrones, thieves, and other criminals to be found in the towns of the two provinces. So active did the marauders become that the forces of the constabulary of the two provinces were not enough to guard the towns against their attacks and at the same time to chase the robbers to their hiding places. Accordingly, use was made of the scouts under the constabulary act, and this with very good effect. In two engagements, one with the constabulary and the other with a company of scouts, the ladrones suffered most severely, losing in the latter of the two engagements more than 60 men by death, including their leader, San Miguel. Shortly before the death of San Miguel, Apolinario Mabini landed in these islands from Guam, after taking the oath of allegiance. Upon his landing a note from San Miguel was handed

him, asking for advice. To this note Mabini responded by writing on his visiting card that he had not been long enough in the islands to answer, but that he would advise him later. The card of Mabini was found on the dead body of San Miguel and was delivered to me by the chief of the constabulary. I sent the card to Mabini by the hand of Pedro A. Paterno, expressing surprise that so soon after taking the oath he should open communication with men in arms against the Government. He replied by sending to me a copy of a letter which he had sent San Miguel, but which did not reach him before his death. The letter was as follows:

MANILA, *March 27, 1903.*

SIR: Since you ask me my opinion concerning your action, I will clearly inform you in accordance with my method of thinking.

I do not consider that the liberty enjoyed to-day in this Archipelago can be followed by independence through means of arms at the present time. The people do not move because they have no arms, and even if they had them they would have nothing to eat. Although you might find another nation that would like to furnish arms and supplies, this nation also would like to annex this territory, and if this should happen our misfortune would be still greater.

If we should proceed gradually, as, in fact, you are doing, the war would continue and possibly our nation never would enjoy prosperity, because the war would finally turn into a poisonous disease which would greatly increase our weakness. Understand well that we are now killing each other.

It seems to me that at the present time we should endeavor to secure independence through the paths of peace. Let us cease that the people may rest, that it may work to recover from its recent proprietary losses. Let us conform to the opinion of the majority, although we may recognize that by this method we do not obtain our desires.

This is, I believe, the surest and most fit method in obtaining the welfare of all.

Let us deliberate and hold an assembly to treat of these matters. In case you are in conformity with this and return to peace, determine upon the necessary conditions that you should ask in order to save yourselves from any whatever vexations, and if you think that I should transmit your petition to the constituted authorities I am disposed to comply at any time.

There are those who say that your procedure is the cause of many abuses and methods which are unfavorable to the country, but I believe that the remedy for this, if it were true, is not comparable to the great poverty which would be born of a war apparently interminable. I believe that as long as the Filipinos do not endeavor to liberate themselves from their bonds the period of their liberty will not arrive.

Excuse me for telling you this. If, perchance, you are not in accord with my opinion, this will not, as far as I am concerned, be a motive for destroying our former friendship and companionship.

Order your humble servant whenever you see fit.

AP. MABINI.

General LUCIANO SAN MIGUEL.

Subsequently to this, Mabini addressed to me a letter in terms following:

MANILA, P. I., *April 9, 1903.*

HONORABLE SIR: A few days after my arrival at this capital, I received a message from the late San Miguel, sending greetings of welcome, and requesting my opinion in regard to his attitude. In reply I sent him a card, thanking him for his welcome and informing him that I had not as yet formed any opinion, since I had only just arrived and did not know the conditions.

Weeks after, when I had acquired some knowledge of the true state of affairs, I wrote a letter, in which I endeavored to prove that armed contention is ruinous to the country and that the present condition of things permits only of a pacific contention for the political ideals that one might strive after. I prepared this letter against the time when San Miguel should ask me for the second time for my opinion. On the morning of the 27th of March last a messenger came for the said opinion, and I gave him the letter. But on the following day the messenger came back to inform me that the letter had not reached the hands of San Miguel, who had been

killed, but had been delivered to an officer of his band for him to deliver to the second in command. Later I turned over the rough copy of the letter to Mr. Pedro A. Paterno, in order that he might inform you in regard to the contents.

I have just been informed that the letter is in the possession of Faustino Guillermo, chief of a band, who, with his people, is disposed, so they say, to follow the counsels given in the said letter. But there exists another and larger band, under the command of Alejandro Santiago and Apolonio Samson; this Alejandro Santiago is, according to reports, the successor of San Miguel. These chieftains have not received the letter yet, for the reason that the frequent expeditions and patrols of the constabulary render communication very difficult; no one dares to search for them, for fear of falling into the hands of the officers of public order. They tell me that it is necessary that the persecution should not be so active, if only for a few days, for them to secure an opportunity to hold intercourse; or that a safe conduct should be furnished them, so that they can send a person to look for them and deliver the letter.

I must confess frankly that the late San Miguel was an old acquaintance and even friend of mine; but the chiefs above mentioned I do not know personally, and I am not acquainted with their antecedents.

With these data, I await your determination, signing myself your humble and obedient servant.

MABINI.

Mr. WILLIAM H. TAFT,
Civil Governor of the Philippines.

To which I made the following reply, which ended the correspondence:

BAGUIO, BENGUET, *April 18, 1903.*

MY DEAR SIR: I have to acknowledge receipt of your letter of April 9, 1903, and to apologize for my delay in answering the same. The letter was delivered to me just before I left Manila for Benguet, and I had to delay answer until reaching here, and until the letter could be translated. I have also read the copy of your letter to San Miguel which you sent me by Señor Paterno. I thank you much for interesting yourself in the maintenance of law and order in the islands and in presenting as cogently as you do the necessity for peace and tranquillity. If I have understood your letter to me and its request, you have in mind a surrender of the persons to whom you have directed your letter, on condition of their receiving immunity from ordinary prosecutions under the law. Could I be assured that this leniency would secure quiet and freedom from robbery and invasion to the good people of Bulacan, Rizal, and Cavite, whose welfare we both have at heart, I should be glad again to offer immunity to those to whom you desire your letter to be conveyed; but the difficulty is, my dear señor, that purely out of consideration for the welfare of the people of the three provinces, I ran the risk of allowing many criminals to go unwhipt of justice and did authorize an offer of immunity to these very persons should they come in and surrender all their arms—an offer which remained open for some six weeks from October 1 to November 15 of last year. Reports came from time to time that the offer was to be accepted, but finally nothing was done. There was for a time suspension of the police expeditions in order to permit a general surrender. The only effect of this was to exaggerate in the eyes of the poor people of the towns of Rizal and Bulacan the prestige of those to whom the offers of immunity were made, enabling them the better to terrorize such people, and to give to the individuals in arms an excessive idea of their own importance. The negotiation fell through chiefly because the men who made up the bands of these various individuals belonged to the criminal classes, were confirmed ladrones and escaped fugitives from justice, whom their leaders, even if they desired to do so, could not control to the extent of compelling them to give up their arms which they needed for their life's profession. They were all bent on a lawless life, were outlaws and bandits, and would continue to be so whatever the government at Manila. True they received reenforcement from time to time from the idle and worthless of the neighboring towns and doubtless had assistance from some of the municipal officials, who, acting from motives of fear or gain, reaped a benefit from their complicity and assistance. After this experience, and after a conference with the members of the Commission, I reached the definite conclusion that patience with them had ceased to be a virtue, and that the worst possible course to pursue with them, having regard to the welfare of the Filipino people of the three provinces, was to temporize, negotiate, or offer immunity to them. Most of them were criminals and had been so since the Spanish times, and it could not reasonably be expected that they would, even if they surrendered, return to paths of peace. San Miguel was selected as

nominal leader and figurehead because the real leaders were jealous of each other. Santiago, a very obscure person, with facility only for intrigue, has been selected on the same principle. Apollonio Samson, Faustino Guillermo, Julian Santos (now under sentence of death), Manilang (now dead), Felizardo, Montillon, and Contreras were the real leaders and they always have been robbers, kidnapers, and carabao thieves, and Guillermo, Santos, and Manilang, and possibly some of the others, were fugitives from justice under charge of murder. They are unworthy of either the encouragement or sympathy of any Filipino of honor and integrity, no matter what his views as to the present civil government, or the independence of the islands. It is difficult for those who are sincerely irreconcilable not to sympathize with any disturbance involving attacks upon the peace and order of the community because they can hardly repress the hope that such disturbance, whatever the motive, may embarrass the present government and ultimately germinate into a new insurrection. In the blindness of their zeal they are willing to sacrifice their own people—for it is only their own people who suffer by such outlawry—to a vague hope that out of pure ladronism, murder, and robbery may grow a successful revolution based on patriotic sentiment. Those whose duty it is, however, to keep informed as to the character and nature of these persons who keep up such disturbances know that while these persons may receive encouragement and even material assistance from irreconcilable persons of respectability, they are essentially only robber bands thieves, murderers, and kidnapers for ransom, determined to live on their neighbors and willing to sacrifice any number of Filipinos to the enjoyment of an outlaw life. They masquerade at times as "revolucionarios" in order to win the assistance just mentioned, but they are nothing but ladrones and should be punished only as violators of the law. Were there established in these islands a self-respecting and responsible independent Filipino government, almost its first duty would be the suppression and punishment of exactly this class of persons, who in their hearts recognize no law and wish no condition of affairs save that of violence and rapine, for in no other can they acquire a livelihood, or attain the position of prominence or influence which their vanity demands.

I have written, my dear Señor, to you with great frankness, not with the idea of publishing our correspondence, but merely to show you my exact attitude and to explain why it is that I can not facilitate communication between you and the persons whom you name, whose past history you say you do not know, because if I were to do so, it would lend support to the view that I am willing to offer immunity in case of their surrender.

I have the honor to be, with sentiments of very great respect,

Very sincerely, yours,

WM. H. TAFT, *Civil Governor.*

Señor DON A. MABINI,
Manila, P. I.

Within a few weeks after this Mabini died of cholera. My letter to Mabini states, with as much care as I can state it, the character of the men who were engaged in disturbing the peace and tranquillity of Bulacan and Rizal provinces last winter. Subsequent to the defeats in the field a secret service was established, in the two provinces and in Manila, which gradually obtained evidence against the persons who had been part of the ladrone forces. Alejandro Santiago and Faustino Guillermo have been among those captured. All the persons were brought to trial, and now most of them are in Bilibid, either under sentences for long terms or awaiting execution. The same result is being brought about in Cavite, where conditions have much improved since last year, though the two ladrone chiefs, Montillon and Felizardo, have thus far avoided capture. The province has been thoroughly policed, and more than 150 ladrones have been arrested and are on their way to the penitentiary. Arms are being brought in every day and the government is receiving aid from the people in its work.

The arrest, trial, and punishment of certain criminals in Surigao led to their being sentenced for long terms. This rendered the prisoners desperate, and in their desire to escape they communicated with

some confederates in the neighborhood of the province, who at a certain time came into town to assist the prisoners. The prisoners awaited a good opportunity while the constabulary were at their meals, seized all their guns, killed the American Captain Clark, and with the only guns in the town of Surigao took the town, except the provincial building. This was occupied by the treasurer, Captain Kelly, and the other American officials, who bravely held out against the lawless band. From the provincial building telegraphic communication was had by the besieged with Iligan, the nearest military station on the north coast of Mindanao, and the dispatch was forwarded to Cebu and Manila. A small force of 15 or 20 men started by a small boat at once from Iligan to Surigao. Colonel Taylor, the assistant chief of constabulary, was reached by telephonic message, and he, with a coast guard boat, took a force of men from Leyte to Surigao, reaching there about twelve hours after the detachment of soldiers. The criminal malcontents had deserted the town before Taylor reached it. In view of the remoteness of the province and the nearness of a military post thereto, I concluded to turn the province over to the military, and the general commanding, General Lee, at once visited Surigao with a sufficient force to restore complete confidence in our power to suppress lawlessness. In a few weeks all the criminals except Concepcion, the leader, were captured, and all the guns with the exception of four or five were recovered. It is possible that had prompt steps not been taken the trouble might have spread, but as it was it was nothing more than a breaking of jail by a lot of desperate prisoners and their escape with the arms of their captors. It never took on the aspect of an uprising of the population or an insurrection.

In Misamis the taking of the census, in which the enumeration of cattle, hogs, chickens, and other animals was required, aroused the suspicions of the people against the census enumerators because they thought that these statistics were being taken as a basis for taxation, and in the island of Camiguin, a part of Misamis, there was a rising among the people, which was quickly suppressed, however, by one of the scout companies. For the same reasons which obtained in the case of Surigao, I requested the aid of the military commander in Misamis. The scouts and the constabulary worked together under the military commander in Misamis as in Surigao, and subsequently all the lawless elements were captured or killed and the living are now in Bilibid. Both the provinces of Misamis and Surigao are entirely quiet, and the people are pursuing their usual vocations without disturbance. At one time during the winter there was a disturbance in the island of Cebu. The pulajanes, who are a band of religious fanatics in the mountains, attacked the civilized towns and succeeded in defeating a small force of constabulary and in killing two of its officers. Colonel Taylor, together with 100 men, inflicted such a severe defeat on them that their leaders were killed and their power was broken. Many of the most violent were arrested and are now confined in the state's prison. They present a curious combination of religion and robbery and can hardly be regarded as of the civilized tribes. Cebu is entirely quiet now. Occasional reports of ladronism in the provinces of Iloilo and Capiz, on the border between the two provinces, indicate that all the guns have not been captured, but the conditions in the two provinces are on the whole quite satisfactory.

The most serious trouble of this kind has been in the province of

Albay, which, due to its hemp production, is the richest province in the entire archipelago. When the insurgents in command of the forces in 1901 surrendered in Albay, two of the subordinates named Toledo and Saria with a very small force remained in the mountains with a few guns, but were unable to create substantial disturbance in the province until a former insurgent named Ola, said to be a Tagalog, left the town of Guinobatan because of a quarrel with a presidente who had threatened to prosecute him for burning his house during the previous insurrection while Ola was an insurgent soldier. Ola surrounded himself with a number of malcontents, whose objection seems to have been not to the insular government or to the American Government, but to the political rule of the wealthy hemp growers in municipal governments in the province of Albay. It was the custom there to elect rich men to the presidencias in the province, and there may have been some abuse of power. At any rate, Ola's career began as a protest against municipal tyranny and awakened the sympathy of the poor masses. After he went into the mountains he was soon joined by Toledo and Saria and there was begun a regular campaign of collecting contributions, which was so profitable in the rich province that the forces of Ola continued to grow. At the town of Ola some of Ola's followers were able to secure assistance from the townspeople and also from the municipal police in surprising the constabulary who were there and taking away about 40 guns. This of course was a great aid to Ola's force, and the disturbance soon spread to the entire province. It is undeniable that there was both sympathy on the part of the poor people with Ola's cause and there was also fear of vengeance at his hands sufficient to induce inaction by the people. In consequence a reign of terror was inaugurated through the province which it was necessary to meet by radical measures. Accordingly, authority was given, by section 6 of the act of the Commission numbered 728, and a resolution of the Commission (copies of which are appended) to the governor and the constabulary authorities to bring the people from the outlying barrios, where they were exposed to the invasion of ladrones, nearer to the populated portions of their respective towns. Under the law it became the duty of the provincial board to see to it that the people thus brought in were properly fed and not subjected to unnecessary privations. For a time the action did not have any effect. No guns were being obtained, and while the number of attacks by the ladrones was very much reduced substantial progress did not seem to be making. The province was visited by Vice-Governor Wright and Commissioner Tavera, who talked to the people on the subject of their duty to suppress this disorder. The effect of the visit of these gentlemen and the policy adopted of depriving those in the mountains of means of support was finally crowned with success when Ola and his entire body of followers with all their guns came into Guinobatan and surrendered unconditionally. They were in a most ragged and pitiable condition. Later on Toledo with his small body of followers came in, and most of Saria's men having been captured, there is complete peace and quiet in Albay. All the prisoners are being tried. Some have been sentenced to death for particular murders. The remainder will doubtless be sent to state's prison for long terms.

The effect of the disturbance has produced substantial financial loss in the province. The governor estimates that hemp production and

sale have been interfered with to the extent of some ten or twelve millions of dollars Mexican. Still the province is rapidly recovering from the effect of the disturbed conditions. By telegram of December 8 Governor Betts advises me that "the clearances of hemp in this province for the month of November exceeded any previous month in the history of the province."

Ola could have been induced to surrender some months earlier had the authorities been willing to grant immunity from prosecution. As it had now become the settled policy of the government to treat persons in arms in their proper light, as ladrones and outlaws, and not to accept them as prisoners of war or to grant them immunity from ordinary or criminal prosecutions, permission was not granted to extend immunity. The reason which actuated the government in insisting upon this course is that surrenders made with promises of immunity do not ordinarily, when the dealings are with the criminal class, result in anything but a temporary cure, for as soon as the hard effects of the campaign have worn off the criminal thus pardoned in advance feels a longing for his old-time business and returns to the woods and mountains, there to begin again the practice of his profession of a ladron. The confinement of the leaders, and all the rank and file, under long sentences of confinement in the penitentiary has a much more permanently tranquilizing effect.

In Nueva Ecija and Tarlac a man named Felipe Salvador, who professes to exercise miraculous and supernatural power, has been attempting to rouse the people of his neighborhood to resistance to lawful authority and association with him in a kind of religious rite. Their religious character, however, does not prevent Salvador and his friends from constituting a ladrone band preying on the neighboring country. Salvador has made one or two raids on towns, but he has been punished severely in several engagements with the constabulary, and has now withdrawn into an obscure part of Nueva Ecija.

As an instance of the character of people, that in the mountain districts of these islands are reported as insurrectos sometimes, as ladrones at other times, as Pulajanes at other times, and as mere ordinary outlaws at others, I copy a report from Lieutenant Guild in regard to the action of three ladrones in Capiz. The report is as follows:

CALIVO, PANAY, *October 12, 1903.*

SIR: I have the honor to report that on the 29th day of September two ladrones, by name Ompong and Tuest, accompanied by one unknown, entered the barrio of Ilijan, of Navas, and murdered 13 women and children. The constabulary of Ibajay were notified the same afternoon, and at once set out for the scene of the crime. On arriving at the barrio, no trace of the ladrones could be found, nor could any information be gotten from the inhabitants, as they seemed terror stricken. The only information of any value at all was that the leader of the ladrones, Ompong, had a Remington rifle and 20 rounds of ammunition, but that his companions had only spears and bolos. As far as can be learned, the killing was not done for the sake of gain, but for the sake of one of the customs of the mountaineers. The child of Ompong having died of cholera, he, as is their custom, went out and had these others killed so his might have company and servants in the other world. The killing was all done with the bolos and spears, Ompong simply threatening the men of the barrio with his gun while the women and children were being murdered. The killing of the people could never have occurred had the men of the barrio interfered, instead of looking on and doing nothing. The country has been thoroughly searched, but no trace of the ladrones found, and it is generally believed that they returned to Antique Province, where they live.

Very respectfully,

JAMES J. GUILD,
Third Lieutenant, Philippine Constabulary,
Commanding Second Section.

The SENIOR INSPECTOR, *Capiz, Capiz, P. I.*

THE USE OF SCOUTS WITH THE CONSTABULARY.

The act of Congress authorizing the use of the native scout companies under the command of those constabulary officers who were detailed from the Regular Army has worked exceedingly well. General Davis and General Wade have both acted with the utmost dispatch in responding to the call of the civil governor for scout companies, and there have been in use during the last year from three to five thousand native scouts operating with the constabulary. This arrangement presents some anomalies which seem greater to the military commander than to the civil government; but however unsymmetrical the union of the two forces under a constabulary officer may seem to be, it has had the immense advantage of enabling the civil government, with native troops, to suppress disorder. It is of the utmost political importance that the regular soldiery, under a command more or less independent of the civil government, should not be called in to suppress disorders and to maintain the authority of the civil government until all the forces of natives, whether constabulary or scouts, should be used for this purpose. Nothing could be further from the truth, nothing could be more unfounded or unfair, than the inference that the use of scouts in association with the constabulary for the suppressing of disorder is a reflection upon the military establishment or upon those who are in command thereof; but we know in our own country how loth governors of States are to call out militia, and how loth the President is to summon the Regular Army in the suppression of domestic disorder. In this country it is politically most important that Filipinos should suppress Filipino disturbances and arrest Filipino outlaws.

RECONCENTRATION.

With reference to the act of the Commission which authorized, upon resolution of the Commission, the provincial governors to withdraw the outlying barrios of towns to their respective centers of population and, in a sense, to reconcentrate the residents of the outlying barrios, it may be said that this course is justified by the peculiar character of the country and the wonderful opportunity that it offers a comparatively small body of men to terrorize an entire province and to allow persons to evade the utmost efforts of large bodies of constabulary. The act is appended hereto as Exhibit E. So effective is this system against ladrones, if carried on properly, and so comparatively easy is it for the people in this country, without great suffering or inconvenience, to move from one part of the country to another, erecting temporary houses of light material, that in Tayabas, which at one time was much afflicted with ladrones under a man named Rios, to whom I referred in my last annual report and who has now expiated his crimes on the gallows, the so-called reconcentration was used voluntarily by the towns that were invaded by Rios and carried to a successful conclusion before the central authorities were advised of the methods pursued.

BANDOLERISMO STATUTE.

The treatment of ladrones by criminal prosecution has been most effective. A statute known as the "bandolerismo statute" was enacted

in November of last year to meet an emergency which then seemed to be great. The statute is as follows:

SECTION 1. Whenever three or more persons, conspiring together, shall form a band of robbers for the purpose of stealing carabao or other personal property by means of force and violence, and shall go out upon the highway or roam over the country armed with deadly weapons for this purpose, they shall be deemed highway robbers or brigands, and every person engaged in the original formation of the band, or joining it thereafter, shall, upon conviction thereof, be punished by death, or imprisonment for not less than twenty years, in the discretion of the court.

SEC. 2. To prove the crime described in the previous section, it shall not be necessary to adduce evidence that any member of the band has in fact committed robbery or theft, but it shall be sufficient to justify conviction thereunder if, from the circumstances, it can be inferred beyond reasonable doubt that the accused was a member of such an armed band as that described in said section.

SEC. 3. Persons guilty of the crime defined in section one may be punished therefor in the court of first instance in any province in which they may be taken or from which they may have fled.

SEC. 4. Every person knowingly aiding or abetting such a band of brigands as that described in section one by giving them information of the movement of the police or constabulary, or by securing stolen property from them, or by procuring supplies of food, clothing, arms, or ammunition, and furnishing the same to them shall, upon conviction, be punished by imprisonment for not less than ten years and not more than twenty years.

The difficulty of proof against persons known to be ladrones in fixing upon them particular acts of violence or robbery and the necessity for severe punishment led to the enactment of this statute. It is frequently very easy of proof to show that the persons captured have been members of an armed band running about the country, committing or attempting to commit robberies and murder, but to prove that individuals were present at particular robberies is entirely impossible. The act was therefore drawn to permit the proof of the existence of the band and the membership in the band, beyond reasonable doubt, as establishing the crime of ladronism. It is not too much to say that the act has been most effective in securing convictions and ridding the various provinces of this pest of centuries. The courts have had an immense amount of labor to perform in hearing the various cases, but they have responded with energy and with justice to the call, and both Filipino and American judges have exercised much firmness in imposing suitable penalties when the proof required conviction.

During the year several members of the Hongkong junta have come to Manila. They have been required to take the oath of allegiance to the government and after that have not been disturbed. I am in receipt of a verbal communication from Señors Apacible and Agoncillo, the two most prominent members of the junta. They have signified their intention of coming to Manila if they are not to be subjected to prosecution.

They distinctly repudiate having had any communication with San Miguel or the recent ladrone leaders, whom they characterize as cattle thieves and not worthy the support of men who have been actuated by other motives. I have assured them that should they return to Manila they would simply be required to take the oath of allegiance, and if they thereafter lead lawful lives and take no part in the insurrection movements they will be wholly undisturbed. (December 18, Since writing the above, Doctor Apacible has presented himself and taken the oath.)

There is one Filipino, named Ricarte, who was at the head of the plot to explode dynamite bombs during the Lawton funeral in Manila, and also set on foot a number of conspiracies to burn the city. He was subsequently sent to Guam, and then on his return from there

declined to take the oath of allegiance and went on to Hongkong. It is reported that he has quarreled with the other members of the junta and that he continues his plotting. There is also said to be a socialistic or anarchistic society which has its headquarters at Paris, directed to the establishment of a universal democratic Filipino republic, on socialistic lines, but, so far as we are advised, they have attempted nothing in the way of actual operations, though they occasionally favor the mails with their publications.

Dominador Gomez y Jesus was born in the Philippines and subsequently went to Spain where he studied medicine and was graduated as a surgeon. He entered the Spanish army as a surgeon and served in Spain during the two revolutions of 1896 and 1898. He appears to have been a member of the junta of Madrid, organized to oppose American sovereignty in the islands after 1898, and to have written articles for a paper published in Madrid, called the "Filipinas ante Europa." After peace had been completely restored in the islands, Doctor Gomez came to Manila. His cooperator, Isabelo de los Reyes, had organized a working man's union, called the "Union Obrera Democrática," but having been arrested and subjected to criminal prosecution for an illegal connection with a strike, he resigned the presidency and Doctor Gomez was elected to take his place at the head of the union. Subsequently Doctor Gomez also became the president of the Nationalist party. By contributions from the members of the Union Obrera, he was able to publish a newspaper called the "Los Obreros." He was a man of considerable power of speech and able to arouse audiences of the lower class of Filipinos by his grandiloquence. It soon became evident that there were members of the Union Obrera and of the Nationalist party who were very strongly in sympathy with the ladrone bands, headed by San Miguel, then operating in Rizal and Bulacan. Doctor Gomez recommended to me in his newspaper that as a solution of the difficulties, we invite all the ladrones to come in and surrender their arms on the agreement that we should guarantee them immunity and insure them food or labor for one year. Subsequently Doctor Gomez applied to me for the pardon in advance of Faustino Guillermo, second in command in Rizal, one of the most noted desperadoes and ladrones in the islands, a man since captured and now under sentence of death for murder. It was reported that Doctor Gomez was using the Union Obrera as a means of collecting money to run his newspaper, and to enrich his own pocket. This led to the passage of a law, denouncing as embezzlement the diversion of funds collected in such societies from the purpose for which the society was organized and for which the funds were contributed. Prosecution of Doctor Gomez was begun under several different charges. Under the first charge of organizing an illegal association he has been convicted and sentenced for four years to Bilibid. There are other charges against him for which he will be tried, including embezzlement and aiding and abetting ladrones. His prosecution has much assisted in bringing about the present satisfactory condition throughout the Archipelago.

DISSOLUTE AMERICANS AND VAGRANCY ACTS.

One of the great obstacles that this government has to contend with is the presence, in a large majority of the towns of the Archipelago, of dissolute, drunken, and lawless Americans who are willing

to associate with low Filipino women and live upon the proceeds of their labor. They are truculent and dishonest. They borrow, beg, and steal from the native. Their conduct and mode of life are not calculated to impress the native with the advantage of American civilization. When opportunity offers, however, they are loudest in denunciation of the Filipinos as an inferior, lying race. To rid the country of this class of Americans the Commission passed two acts.

The first of these is No. 519, "An act defining vagrancy and providing for punishment therefor," and reads as follows:

SECTION 1. Every person having no apparent means of subsistence, who has the physical ability to work and who neglects to apply himself or herself to some lawful calling; every person found loitering about saloons or dramshops or gambling houses or tramping or straying through the country without visible means of support; every person known to be a pickpocket, thief, burglar, ladron, either by his own confession or by his having been convicted of either of said offenses, and having no visible or lawful means of support when found loitering about any gambling house, cockpit, or in any outlying barrio of a pueblo; every idle or dissolute person or associate of known thieves or ladrones who wanders about the country at unusual hours of the night; every idle person who lodges in any barn, shed, outhouse, vessel, or place other than such as is kept for lodging purposes, without the permission of the owner or person entitled to the possession thereof; every lewd or dissolute person who lives in and about houses of ill-fame; every common prostitute and common drunkard, is a vagrant, and upon conviction shall be punished by a fine of not exceeding one hundred dollars or by imprisonment not exceeding one year and one day, or both, in the discretion of the court.

The second is as follows:

SECTION 1. Upon the conviction of any citizen of the United States under act numbered five hundred and nineteen, entitled "An act defining vagrancy and providing for punishment therefor," the court may suspend sentence, conditioned upon the convict leaving the Philippine Islands and not returning thereto for a period of not more than ten years; and the fulfillment of this obligation shall be deemed as an extinguishment of the prescribed sentence.

SEC. 2. In such cases the court or judge may order the removal of the convict to Bilibid Prison, in the city of Manila, there to remain in custody until he can be placed upon a steamer returning to the United States. This order shall be executed in the manner prescribed by the civil governor in each case.

SEC. 3. There is hereby appropriated, out of any funds in the insular treasury not otherwise appropriated, an amount sufficient to pay the actual and necessary expenses in carrying out the provisions of this act.

The former of the two acts has also been useful in enabling towns to rid themselves of Filipinos suspected of complicity with ladrones, who have no visible means of support and who are probably spies of the ladrones for the purpose of enabling them to make lucrative raids.

FRIARS' LANDS AND RELIGIOUS QUESTIONS.

As early as 1898, the Peace Commission, which negotiated the treaty of Paris, became convinced that one of the most important steps in tranquilizing the islands and in reconciling the Filipinos to the American Government would be the governmental purchase of the so-called friars' agricultural lands in the Philippines, and the sale of these lands to the tenants upon long, easy payments. The same policy was recommended by the first or Schurman Commission after an investigation by it, and in the first report of the present Philippine Commission much time was devoted to the political phases of the relations of the four great religious orders to the people and the wisdom of buying the agricultural lands and selling them to the tenants was much commented on and approved. The Secretary of War and the

President concurred in the recommendations of the Commission. Accordingly in May, 1902, the writer, as civil governor of the Philippine Islands, was directed by the Secretary of War to visit Rome and to confer with the Pope or such agents as he might designate in respect to the question of buying the friars' agricultural lands and other questions of a similar character which were pending between the Roman Catholic Church and the Government. The negotiations which were had on this subject in Rome were set forth in the correspondence published by the Secretary of War in his report to Congress for last year. In a word, the Pope approved the purchase of the agricultural lands of the three great religious orders that owned agricultural lands in the islands and appointed an apostolic delegate with as full powers as he could be invested with to bring about this result.

The apostolic delegate, Monsignor Jean Baptiste Guidi, archbishop of Stauropoli, reached the islands in the fall of 1902, and negotiations were at once begun. In one of the letters written by Cardinal Rampolla, contained in the correspondence already referred to, he stated on behalf of the Holy See that the resources of the religious orders would be taken into charge by the supreme authorities for the benefit of the church in the Philippines, and it at first seemed that the religious orders, with little prospect of reaping much pecuniary benefit from the sale of the lands under this arrangement, were not anxious to further the proposed purchase. Probably this inference did an injustice to the religious orders in view of the event. It turned out upon examination that the agricultural lands which had originally belonged to the three religious orders of the Philippines, to wit, the Dominicans, the Augustinians, and the Recoletos, aggregated 420,000 acres. The Commission in 1901 had directed a survey to be made by a Filipino surveyor or agrimensor, skilled both in surveying agricultural land and in estimating its value, by name Juan Villegas. He surveyed between 1901 and 1903 all the agricultural holdings of the three religious orders, except an estate belonging to the Augustinians in the province of Isabela and an estate belonging to the Recoletos in the province of Mindoro. He classified the lands and placed a value upon the differing classes, giving data from which it was possible to estimate the total value of the lands, except the two estates in Isabela and Mindoro, respectively, already mentioned, the value of which was determined by the agents of the Commission from other sources. The event proved that the Dominicans had conveyed their holdings, amounting to 60,461 hectares, to one Andrews, an Englishman living in Manila, under a promoter's contract; that Andrews organized a company, under the supposed existing laws of the Philippines, known as the "Philippine Sugar Estates Developing Company (Limited)," to which he conveyed all the Dominican lands, with the exception of a small estate known as San Juan Del Monte, containing 156 hectares, which was held under such trust restrictions as to prevent its sale. Investigation showed that the Augustinian order as far back as 1893 or 1894 had conveyed to a Spanish corporation, known as the "Sociedad Agricola de Ultramar," all of its agricultural holdings. It further appeared that the Recoletos had conveyed the estate of Imus, or rather the estates of San Juan and San Nicolas, known as the "Imus estate," containing 18,419 hectares, to a company organized under the laws of Hongkong or Great Britain.

The Mindoro estate remained in title and possession with the Recoleto order of the Philippines. It became necessary therefore to deal with the representatives of the title holders to the lands. The Dominican lands, the title to which was in the Philippine Sugar Estates Development Company (Limited), were represented by Señor Don Francisco Gutierrez, a stockholder and managing director of the company. The Augustinian lands owned by the Sociedad Agricola de Ultramar were represented by the attorney in fact of the company, an Augustinian friar, Padre Juan M. Yanez. The Imus estate, conveyed to the British Manila Estates Company (Limited), was represented by a young Englishman named Marcus McGregor. The Mindoro estate of the Recoletos was represented by the procurator of the Recoleto order in the Philippines.

In order to determine the value of the estates, the representatives of the various companies and other interests were invited to attend a hearing, when various witnesses were called to testify. The apostolic delegate was also present. A stenographic report of these hearings is hereto attached and marked "Exhibit F."

In addition to the hearings written statements were made by experts for each interest and were filed with the apostolic delegate and with me. The representatives of the various interests were not disposed at first to welcome the presence in the conference of the apostolic delegate. It was vigorously denied that the friars retained any titular interest in the lands which were the subject of the negotiation, and the right of the apostolic delegate to intervene was therefore questioned. From the best information that I could obtain it was true that the religious orders had parted with their legal title to the shares in the new companies, except the Recoletos in Mindoro, and that it was very difficult to find out just what their interest in the property continued to be. That they had an interest, and a most substantial one, went without saying, but, for reasons it is unnecessary to comment on, these interests had been made as ambiguous and doubtful as possible. In accordance with the agreement reached in Rome, I sent to the apostolic delegate a request for a statement of the exact interests retained by the religious orders in the Philippines in the lands which were the subject of negotiation. No formal answer to this letter was ever received, but informally it was stated to me by the delegate that the authorities in the Philippines had informed him that they had so disposed of their interests that they were unable to make a statement of what their interests were, if any. The value of the lands, as estimated according to the statements of the agents of the companies, aggregated a sum between thirteen and fourteen millions of dollars gold. The estimate of Villegas, the surveyor employed by the Commission, showed the valuation of the lands to be $6,043,000 gold, if his value in Mexican should be reduced to gold at the rate of two to one, which was the gold rate about the time of his survey and classification, though the Mexican dollar fell considerably after that. Considering the bad conditions which prevailed in agriculture, the loss of cattle, the dispute concerning title, and the agrarian question that must always remain in the management of these estates and embarrass the owner, I considered—and I believe the Commission generally agreed with me—that $6,043,000 gold was a full price for the lands. The sum, however, was scouted by the persons representing the owners, and there appeared to be very little prospect of reaching an agreement. With

the knowledge and approval of the Commission and of the Secretary of War and the President subsequently had, I sent a letter to the apostolic delegate and forwarded a copy to each representative of the respective estates, as follows:

OFFICE OF THE CIVIL GOVERNOR OF THE PHILIPPINE ISLANDS,
Manila, P. I., July 5, 1903.

YOUR EXCELLENCY: After a very full consideration of the subject, and with the concurrence of the Commission, I beg to make an offer on behalf of the Philippine Government for the so-called Friars' lands, which include, first, certain haciendas at one time owned by the Dominican order of these islands and now owned by the Philippine Sugar Estates Development Company, represented by Mr. Gutierrez; second, certain haciendas at one time owned by the Augustinian order and now owned by the Compania Agricola de Ultramar, represented by the Augustinian friar, Padre Juan; and third, the haciendas of San Juan and San Nicolas, generally known as the Imus estates, at one time owned by the Recoleto order, and now owned by an English corporation, the British Manila Estates Company (Limited), represented by Mr. McGregor, and also an estate in Mindoro of 60,000 acres, still owned, as I am informed, by the Recoleto order. The offer I am about to make is, of course, subject to the approval of the Secretary of War, but if accepted, it will doubtless receive his approval.

The members of the Commission believe that the evidence of Juan Villegas as to the value of these lands at present is just. At the conferences between your excellency, the representatives of the three corporations now holding title, and myself, there was some discussion as to whether the fall in the price of silver and the variation in the silver standard in the gold values ought not to play a large part in weighing Señor Villegas's evidence. My own strong conviction is that Señor Villegas's evidence is not in the slightest degree affected by the variation in the price of silver, for the reason that the persons who own lands and who buy and sell them in the provinces where the lands in question are situated know no other standard for the estimation of the value of lands than that of Mexican silver. It may be that indirectly the fall in the price of silver will ultimately affect the value of these lands in silver, and it is possible that some slight increase has already taken place in the value of the lands estimated in silver. But it seems clear from the evidence that the increase is not at all commensurate with the fall in silver. Nevertheless, for the purpose of reaching an agreement, we are willing to waive any such discussion by treating the value placed by Señor Villegas on the lands in Mexican as a value to be reduced to gold at the ratio of two to one. This ratio in fact did prevail when Señor Villegas began his surveys in November, 1901, but very soon changed. This is a concession which amounts to an increase in the valuation of the land over what it would be at the present rate of Mexican of a little less than 20 per cent.

I inclose herewith as Exhibit G detailed and summarized statements of the various valuations of Señor Villegas, who has examined and placed a value upon all the estates involved in this matter, except an estate of the Augustinians in Isabela of some 60,000 acres, which is almost wholly unimproved, and an estate of the Recoletos in Mindoro of about the same extent. I asked Mr. Webber, the manager of the General Tobacco Company, who knows the Isabela estate well, what value he placed upon it. He said that at one time he had offered one hundred thousand gold for it, but that the offer was declined. I asked him if he would give one hundred and fifty thousand or two hundred thousand for it in gold, and he said that he would give $200,000 for it in gold if he could obtain free admission of Chinese laborers into the islands. I said to him that that was impossible, and then he said that he would not give $150,000 for the land. The value of this land is in the statement assessed at $300,000 Mexican, which is a full price. The Mindoro estate is fixed at $600,000 Mexican, because of definite information that this estate, together with the cattle on it, was offered as late as last fall to certain gentlemen in the city of Manila for $700,000 Mexican, and that the offer was declined. At that time the gold Mexican ratio was between two-forty and two-fifty. The other valuations in the inclosed statement are taken from Señor Villegas's evidence. The total valuations in Mexican are as follows:

The Dominican lands	$5,473,799.13
The Augustinian lands	4,407,335.65
The Recoleto lands	2,205,303.33
Making a total in Mexican currency of	12,086,438.11

The civil government proposes to pay for a good title to these lands, free and unincumbered, the prices above named reduced to gold at the ratio of two to one, as follows:

For the Dominican lands	$2,736,899.57
For the Augustinian lands	2,203,667.83
For the Recoleto lands	1,102,651.67
Making a total in gold of	6,043,219.07

I have sent a copy of this letter of the representatives who were present at our conferences, Senor Gutierrez for the Dominican lands, Padre Juan for the Augustinian lands, and Mr. McGregor for the Imus estate. I have not seen any representative of the Mindoro estate, and so assume that your excellency either represents the Order of the Recoletos or will forward a copy, if you deem it wise, to the proper person.

I have so often said to your excellency and to the representatives of these estates that the motive of the Government in taking this land is purely political, and not for the purpose of profit, that perhaps it is unnecessary to repeat it. Still, as this is a formal offer, it may not be improper to state again that the civil government in making the purchase at the prices herein named, if they shall be accepted, has not the slightest idea that it will make any profit in disposing of the lands, in accordance with the act of Congress, to the tenants who now occupy it. On the contrary, the members of the Commission are confident that it will result in a pecuniary loss to the civil government. It is hoped that if the Government takes charge of the land, it will be better able to secure peaceable possession of the land and an attornment of the tenants than would private corporations, especially those in which the Spanish friars are supposed to have a large interest. What the Government proposes is to buy a lawsuit, and something more than a lawsuit, an agrarian dispute. If peaceable transfer of the title to these lands from the corporations now claiming ownership in them to the tenants in possession could be accomplished without the intervention of the civil government, the civil government would be most anxious to avoid any intervention in the matter at all. Indeed it would be to its interest to contribute by a substantial sum to this peaceable result. While we hope that ownership by the Government may accomplish good, the hope is largely based on conjecture. Certainly the purchase of these lands will mean the assumption of another very heavy burden by the Government in addition to those which it is now attempting to carry. We are convinced that it would be greatly to the advantage of the present owners of the land to accept the offer. It involves the expenditure of $6,000,000 gold, a sum which must be secured by issuing bonds to that amount under the act of Congress. The members of the Commission are unanimously of opinion that the disadvantage of any substantial increase of such a financial burden would outweigh any advantage which might accrue from the Government ownership of the lands.

In making this offer I beg to call your excellency's attention to the fact that the Secretary of War, in a telegraphic dispatch, a copy of which I transmitted to his eminence, Cardinal Rampolla, in my letter of July 15, 1902, requested that a detailed statement of the interests retained by the monastic orders in the corporate stock of the companies now claiming to own the lands be furnished to me by the Apostolic Delegate, who was to be sent to the Philippine Islands, in order that the statement might be made the basis for the proposed negotiation. The request of the Secretary was acquiesced in by Cardinal Rampolla. In February, 1903, I invited your excellency's attention to this matter and requested that the details requested be furnished. I have as yet received no formal reply. Without waiting for it, however, I have ventured to make this offer with the hope that if it is accepted further investigation and discussion may be avoided.

With the hope that your excellency will find it consistent with your views of the situation to advise the representatives of the owners of these lands to accept this offer, I beg to subscribe myself, with great respect,

Your excellency's most obedient servant,

WM. H. TAFT, *Civil Governor.*

Monsignor JEAN BAPTISTE GUIDI,
Archbishop of Staurpoli and Apostolic Delegate
to the Philippine Islands, Manila.

I received a negative answer from all of the representatives. Not discouraged, however, by circumstances that seemed most discouraging, the apostolic delegate bent his energies to bringing the parties to a settlement. After some negotiation the delegate first stated that he

thought he could arrange a sale for $10,500,000 gold. I told him there was no hope of bringing about a purchase at that figure. Some months later I was advised by Mr. McGregor that if an offer was made for $8,500,000 he thought he could compass the sale. This was definitely declined. I then advised the apostolic delegate and those interested that I would recommend to the Commission and the Secretary of War an increase in the price offered, for the sake of peace, of $1,500,000, but no more. Then followed a long and protracted discussion between the parties who were to be the venders as to how this sum should be divided, and there was much difficulty in arriving at a solution—so great a difficulty, indeed, that I was informed that unless $7,770,000 was paid there was no hope of reaching an agreement. With the approval of the Secretary of War and the Commission, I replied that $7,543,000 was our ultimatum and that we would not give more than that, and this was ultimately the basis upon which the price was fixed. It turned out, upon further investigation, that the Augustinian Company and the Sociedad Agricola de Ultramar had contracted to sell the Mandaloya estate, which lay in the province of Rizal and extended from the city of Manila to the town of Pasig along the Pasig River, at a certain price, and that a strip 150 meters wide by 6 kilometers running along the river had been contracted to be sold to the railroad company for mercantile purposes. The Mandaloya estate is a poor estate, from an agricultural standpoint, and its use for mercantile purposes we were entirely willing to acquiesce in, because it would not present the difficulties concerning agricultural tenancy as the remainder of the land. The estate contains about 10,000 acres. By omitting this from the land sold and deducting the price fixed by Villegas, with 25 per cent added thereto, and making certain other reductions for parcels sold bona fide by the owners, and leaving to the Sugar Estates Development Company a tract of sugar land of 2,500 acres on the hillside of the Calamba estate, we finally closed the purchase of upward of 410,000 acres, at a price of $7,239,000 gold. Copies of the contracts of sale are hereby appended and marked Exhibit H.

It is thought that the result of these negotiations and the purchase of the lands form a most important step in the rehabilitation of the people of the islands and the readjustment of their relations to the Roman Catholic Church, which can not but be of material benefit in a political way to the insular and provincial governments. The disposition of the lands to the tenants on contracts of sale with easy payments for a number of years entails a work of tremendous labor upon the insular government and will necessitate the organization of a separate bureau for that purpose. We can not prophesy that the adjustment will rid us entirely of the agrarian questions. There will be doubtless litigation and local centers of disturbance growing out of government landlordism; but the elimination of the friars from the question can not but tend greatly to facilitate satisfactory adjustments. During the last six months I have been in receipt of petitions from tenants in the provinces of Cavite and Laguna, where the agrarian question has been most bitter, urging the purchase of the lands, with a statement that the tenants fully understood that the lands are to be sold to them and that they are to pay for the same. The visit to Rome was watched with intense interest by the people of the islands, and had it not resulted in a purchase of the lands, my judgment is that great disappointment would have been felt. As will be seen by a

statement which follows, the number of friars in the islands is rapidly diminishing from year to year, and with the adjustment of the land question and the division of the proceeds between the orders and the church and the use of the part belonging to the Roman Church for the improvement of the Philippine church, we may reasonably hope that in a decade the agrarian and political question of the friars in the Philippines will have been completely removed from among the obstacles to good government with which the Americans, in coming to the islands and assuming control thereof, were confronted.

Arrangements are being made for the floating of the bonds necessary to raise the money to pay for the lands. It is understood that the bonds may be floated at 4 per cent and that they will take the form of bonds payable after ten and before thirty years at the option of the Government. This will entail an interest charge upon the revenues of the Government of $290,000 a year in addition to the expense of administration, which will be considerable. It is not thought that the income from the islands for several years will be enough to meet the actual outgo, but with a restoration of normal conditions—speaking for myself alone—I hope that the lands will sell for as much as we have paid for them. Other members of the Commission do not think so. It is to be noted, however, that the insular government has not entered upon the purchase of these lands with a view to a profitable investment, but that it is knowingly paying a considerable sum of money merely for the purpose of ridding the administration of the government in the islands of an issue dangerous to the peace and prosperity of the people of the islands.

Following the policy which it was announced by the Vatican would be pursued, the bishops who were Spanish friars in all the dioceses of the islands have been allowed to resign and their places have been filled by American Catholic bishops. I can not state with too much emphasis the satisfaction I feel in this change. It means, in my judgment, the beginning of a new era in the islands. It is to be expected that a large part of the people of the islands will continue to be communicants of the Roman Catholic Church, and it can not but have a liberalizing effect upon them that their bishops shall be Americans with the American ideas of a separation of church and state, and with the American respect for individual rights and individual liberties. The powerful influence of a Roman Catholic bishop in his diocese, exercised over the priests of his diocese, can not but be productive of good and full of cooperation in our purpose to educate these people. A comparatively small number of Spanish friars remains in the islands, and it is to be expected that the American bishops shall use them for the benefit of the Church, though it is hoped that there will be no departure from the policy of the Church announced by Cardinal Rampolla in his letter to me, in which he said that it was not the intention of the Roman Catholic authorities to send back the Spanish friars to any parishes in which the majority of the people were opposed to their coming.

I am officially informed by the apostolic delegate that in 1898 the number of friars in the islands was as follows:

Dominicans	233
Recoletos	327
Augustinians	346
Franciscans	107
Total	1,013

That, by December 1, 1902, they had been reduced as follows:

Dominicans	127
Recoletos	76
Augustinians	111
Franciscans	66
Total	380

And that, by December 1, 1903, they have been still further reduced, so that the number in the islands is as follows:

Dominicans	83
Recoletos	53
Augustinians	67
Franciscans	43
Total	246

That many of the monks are old and infirm, incapable of doing parish or any other work, and that the Dominicans have renounced before the Holy See all their former parishes and dedicate themselves exclusively to teaching.

Whatever may happen during the first few months of the coming of the American bishops, it is certain that the spirit of the American Catholic Church is so different from that of the Spanish church from a political standpoint, that the influence of the Spanish friars will gradually wane and that of the American bishops become controlling. The purchase of the friars' land, the division of the proceeds, the application of a large part thereof for the benefit of the Philippine church, the establishment of the American hierarchy here, and the gradual withdrawal of the Spanish friars, all will bring about what we so much desire—the Americanizing of the Roman Catholic Church in the Philippines. The attitude of the Government has been very much criticised by some American Catholic priests and bishops, and it has been charged that we have withheld from Spanish friars the protection assured to them by the treaty of Paris, and that we have been neglectful in not protecting the interests of the Roman Catholic Church when they were unjustly or unlawfully attacked by schismatics under Aglipay. These charges are wholly unfounded, as may be seen by an examination of the records taken from the executive files showing the executive decision and action with respect to religious matters, which is hereby appended as a part of this report and marked "Exhibit I." We have known that the great majority of the people of these islands were strongly opposed to the return of the Spanish friars to their parishes, and we have felt certain that if such a policy were adopted and the friars were sent back there would necessarily follow disturbances of the peace and discontent among the people; that the people would not be able to distinguish between a government which protected friars going back of their own volition and a government which sent the friars back and maintained them in their pastorates. Therefore the Government has deprecated and still deprecates the return of the friars to their parishes, and has made representations to the church authorities in these islands and to the Vatican, urging that the Spanish friars be not sent back, but when a friar has been sent back, the Government has never refused to protect him in his rights and to punish those who have violated his rights. There is the utmost religious freedom enjoyed in these islands, and no one, whether Roman Catholic, Filipino

Catholic, or Protestant, is disturbed in worshipping God as he chooses. The instances in which one sect has interfered with another are comparatively few, but in every case the Government has sought to punish the offender and to prevent a recurrence of the trouble.

BUSINESS CONDITIONS.

Business conditions in Manila, if the general report from American merchants can be trusted, have not been good during the year. The change in the currency from a silver to a gold standard has been in progress. The demand for Mexican silver in this business, up to the time of writing this report, in other places has been sufficiently great to drain the islands of Mexican silver, though there are indications, as this is written, that it may become profitable to import Mexican silver again. Of course the great difficulty in getting into circulation the new coinage grows out of the fact that Mexican silver is worth less than the Philippine peso, as established by act of Congress, by about 10 per cent, and everyone, business men or not, in paying his debts and making his purchases, naturally prefers to use the poorer currency when it will go as far as the more valuable, because of the ignorance of the people as to the real difference in value. The steps taken to maintain the parity, the laws passed, and the accumulation of a reserve fund, I shall not dwell upon because they will all be contained in the report of the secretary of finance and justice. It is only necessary to remark here that the advantages of the new coinage will not be apparent until some time in the future; not until January 1, 1904, can the Mexican coin be demonetized and denied a legal-tender value. The policy of the government is to purchase the Spanish-Filipino coins, of which there are some ten or twelve millions of dollars in the islands, and recoin them into Filipino pesos.

Notwithstanding the statement that business conditions in the islands have been exceedingly unfavorable, and in spite of the very depressing agricultural condition, so far as rice, corn, and other food products are concerned, the statistics as to exports and imports into the islands show a considerable improvement for the better over last year and a substantial increase in the production and exportation of hemp and copra. In the fiscal year ending June 30, 1902, the total imports were $41,072,738, but of this $8,652,648 was silver coin. The total exports for the fiscal year ending June 30, 1902, were $27,157,087, of which exports the silver coin amounted to $2,423,200. Excluding silver coin and gold to the value of $278,248 the total merchandise imported for the fiscal year ending June 30, 1902, amounted to $32,141,842, whereas the total merchandise exported, aside from silver coin, already mentioned, and gold valued at $806,208, amounted to $23,927,679. In other words, the balance of trade against the islands last year was $8,214,163. For the year ending June 30, 1903, the total imports were $35,099,241, the silver coin in which amounted to $2,077,137, and gold valued at $50,222. The total imported merchandise, therefore, for the year ending June 30, 1903, was $32,971,882, or a gain in the entire year of $830,040. The total exports for the year ending June 30, 1903, amounted to $39,668,366, of which $6,366,106 was silver and $180,480 gold, leaving a balance of merchandise exported of $33,121,780, which makes a balance of trade in favor of the islands for the year ending June 30, 1903, of $149,898. It will be seen that there is an increase in the exports for the year

ending June 30, 1903, over those of 1902, of $9,194,101. The total foreign business of the islands, excluding coin, for the year ending June 30, 1902, was $56,069,521, while the total foreign trade for the year ending July 30, 1903, was $66,093,662, or a gain of $10,024,141.

It should be borne in mind in respect to all these statements that they do not include any importations for the Army of the United States which pay no duty and are not included in the statistics. The comparative amounts of the various commodities exported during the two years are shown by the following table:

Article of export.	1902.	1903.
Hemp	$15,841,316	$21,701,575
Copra	1,001,656	4,473,029
Sugar	2,761,432	3,955,568
Tobacco, cigars, and cigarettes	2,501,367	1,882,012
Miscellaneous	1,821,908	1,109,596
Total	23,927,679	33,121,780

The decrease in tobacco was due to increase of duties on tobacco in Australia, Java, and Japan. The business of the United States exports and imports is also shown by the following table, excluding always the United States Government importations:

	1902.	1903.
Imports from United States, excluding United States Government imports	$4,035,243	$3,944,098
Exports to United States	7,691,743	13,863,059
Total business, exclusive of United States Government imports	11,726,986	17,807,157
Increase total business		6,080,171

The imports of rice show the depressed condition of the rice culture in the islands. For the fiscal year ending June 30, 1900, the amount of rice imported was $3,113,423; for the next fiscal year, 1901, it was $5,490,958; for the fiscal year of 1902, $6,578,481, and for the fiscal year of 1903, it was $10,061,323. It is hoped that this abnormal importation of rice will be unnecessary next year, and that the balance of trade in favor of the islands will increase.

Some reason for the complaints in respect to business conditions in the islands which come from the American merchants, may be found in certain especial circumstances with respect to the American trade in the islands that are not a legitimate cause for complaint. When the Americans first entered the islands, enterprising business men followed the army and established what were called trading companies, which naturally catered to the demand caused by the presence of the army and the Americans that followed in its wake. The army was rapidly increased, until during the year 1900 there were in the Archipelago upward of 70,000 troops distributed through the islands in 600 posts. This presented an opportunity for the sale of liquors and other goods likely to be purchased by soldiers, which continued for two years or more. The army has now been reduced from 70,000 men to a little more than 15,000 Americans, and the number of posts has been reduced from 600 to a few more than 100. In addition to this the Commission has passed an act forbidding the sale of liquor

within 2 miles of an army reservation, which it is said has much interfered with the canteen trade. The enormous profits which were reaped by the American trading companies (of which there are some half a dozen in Manila), growing out of the demand produced by the presence of 70,000 soldiers, fell off rapidly as the changes which I have indicated took place, and to this, more than any other one cause, is due the interference with large returns upon much of the American capital invested in the islands. I venture to say that the opportunities which the American merchants have had for making quick and large profits out of the American soldier has had a bad effect upon American methods of doing business and upon the attitude of most of the American merchants in these islands. It has made them feel independent of the Filipino demand for American commodities. It has lessened the necessity for effort on their part to create a demand among the Filipino people for those articles which the United States can make and ought to sell in these islands. The natural hostility of the American business men growing out of the war was not neutralized by a desire and an effort to win the patronage and good will of the Filipino.

The American business men controlled much of the advertising in the American papers, and the newspapers naturally reflected the opinions of their advertisers and subscribers in the advocacy of most unconciliatory measures to the native Filipinos and in decrying all efforts of the government to teach Filipinos how to govern by associating the more intelligent of them in the government. One of the first principles of good business success is not to antagonize unnecessarily those whose patronage you seek and must depend on for the building up of your business. The number of Americans that the American merchants or any merchants in these islands can count upon for business demands is never likely to exceed 20,000. The number of Filipinos whose trade might make a most lucrative business in these islands is 7,000,000. It would seem to be the wiser policy on the part of the American merchant to cultivate the good will of those potential patrons rather than through the press and in society and in all other ways to antagonize them, to give the impression of bitter hostility and racial prejudice toward them too deep to be overcome. Neither the German nor the English nor even the Spanish merchants have allowed themselves to be put in this attitude. Indeed, there are a few Americans who have pursued a different policy with respect to the Filipinos, to their profit. I venture to predict that as the American business men of these islands become more conservative, as more capital comes in, the utter fatuousness of the present attitude of a majority of the American business men of to-day of these islands will become apparent. There is an immense field here for the sale of American goods.

The Filipinos are imitative, take quickly to new things, may easily be taught, as their wealth shall grow, to regard American products, which are now luxuries to them, as necessities. The sale of cotton goods is almost wholly with the English houses to-day. The handling of hemp, which is the largest export of these islands, is almost wholly confined to foreign houses. There is not the slightest reason why this business should not be done largely by Americans, especially in view of the fact that the United States is the largest purchaser of hemp in the world. It requires the investment of a very considerable capital, the construction of warehouses in the various hemp provinces, and the establishment of friendly relations with the hemp growers and buyers

in each province. The American business man in the islands has really, up to this time, done very little to make or influence trade. He has kept close to the American patronage and has not extended his efforts to an expansion of trade among the Filipinos. Until this is done and more American capital is brought here for the purpose, we can not hope that the imports from the United States to the islands will be increased in very large proportion.

PROPOSED OFFICIAL INSPECTION AND CLASSIFICATION OF HEMP.

About the beginning of this year complaints reached the Commission that the hemp being exported from the islands was of very inferior quality and that there was fraud in its packing. The Secretary of Agriculture of the United States recommended investigation and action, suggesting that if the Manila hemp continued to be of such poor quality, purchasers and users of fiber would be driven to other fibers and countries. It was recommended that the hemp exported be officially inspected and classified and carry the mark of the Government upon it to indicate its quality. A bill was drawn providing for official inspection and classification, and it was submitted to discussion in a public session. The public discussion satisfied the Commission that little if any good could be brought about by such legislation. Everyone who came to discuss the bill was opposed to it as it was drawn. It was insisted that the only thing possible was to have an inspection which should prevent false packing, but that governmental classification would be not only impracticable but a serious obstacle to business. It further developed that so far as fraud was concerned the purchasers in America were completely protected by the ordinary terms of purchase which enabled them to reject the hemp or to recoup at once from the price for any failure in quality. When the amended bill was drawn providing only for the inspection into the packing and for the punishment of false packing and of fraud in baling, a representative of the American hemp purchasers stated that the bill would do them no good because it was not radical enough. So far as we were able to determine, the bill which was desired by the American merchants was a bill which should forbid the exportation of hemp of poor quality, and should impose such restrictions on the method of raising and cleaning hemp as to insure the production of only good fiber at a reasonable price. The discussion showed that much poor hemp was exported for use in making paper and hats in Japan and in other countries. Because of the high prices paid for poor hemp, the faulty cleaning of hemp was much more profitable than the preparation of the finer qualities. Inferior qualities of hemp are produced by using a serrated knife in stripping the fiber. Men, women, and children can use a serrated knife for hemp cleaning, whereas the knife with the even blade requires the strength of an adult man. A law forbidding the use of a serrated knife in cleaning hemp, or preventing the export of hemp thus cleaned, would deprive many people of a means of livelihood in the islands and would savor much of paternalism; nor is a law of this kind necessary if purchasers use proper discretion in buying the quality which they desire. The object of the persons asking legislation, when analyzed, seems to be rather to secure a law which shall hold the price of good hemp down. The bill proposed has, therefore, been allowed to lie on the table, and it is unlikely that

any further action will be taken in the matter. The high price of hemp always increases the production of inferior quality. This is a natural economic result; if the dealers do not desire to pay high prices for the inferior quality, their refusing to do so will soon bring up the quality of hemp. The report of the committee on the bill, consisting of General Wright, is hereto appended, and marked Exhibit J.

SUGAR.

It will be observed that the value of the sugar exports from the islands for the fiscal year ending June 30, 1903, was $3,955,568, an increase of $1,194,136 over the value of the exports of sugar for the fiscal year ending June 30, 1902. This increase was the natural result of a betterment of conditions as to tranquillity. More than that, the planters of Negros, where the increase chiefly was, had used greater efforts than the landowners of the other parts of the islands to import carabao to take the place of the carabao destroyed by the rinderpest. The increase in the exports, however, should not be taken as an evidence of prosperity in sugar production. I append a petition of the Agricultural Society of Panay and Negros, marked "Exhibit K," in respect to the production of sugar in the Philippines, together with a statement made by the collector of customs at Iloilo, Colonel Colton, who has looked into the matter with great thoroughness, and whose opportunities for exact information are great, because Iloilo is the port through which almost all the sugar in the islands is exported. The statement of Colonel Colton is marked "Exhibit L." I also append a statement made by Governor Wright from data furnished him on the same general subject, marked "Exhibit M."

It may be deduced from these sources of information that the sugar production was first introduced into the Philippine Islands in the year 1856, and that the first official record of exportation is of the year 1859, when 5,427 tons of raw sugar were exported from Iloilo. In 1869, 7,344 tons were exported; in 1879, 47,625 tons; in 1889, 112,007 tons; in 1899, 154,462, and the largest exportation in any one year was in 1892, when 165,897 tons of sugar were exported. In 1901 the exportation fell to 34,500 tons. In the early years the sugar production was carried on by the use of wooden rolling mills worked by cattle, a process resulting in a loss of from 40 to 50 per cent of the sugar. Some of these mills are still in use, but most of them have been supplanted by steam mills which extract from 3½ to 7¼ tons of juice per day with a loss of from 20 to 40 per cent of sugar. The sugar produced is classified as follows: Class No. 1 contains 88 per cent of saccharine; No. 2 contains 85½ per cent; No. 3, 81 per cent, and damp 70 per cent. The various qualities of sugar are produced in about the following proportions: No. 1 quality, one-fourth; No. 2, three-sixteenths; No. 3 and damp, nine-sixteenths. Sugar polarizing as high as 92 per cent is produced by the old wooden mills in some localities of Panay. The expense of production was a very large percentage. Under ordinary circumstances Negros should produce 150,000 tons and Panay 50,000 tons of sugar annually on land now under cultivation. Those who have had experience in the business assert that with suitable machinery, transportation facilities and capital, the production could be doubled without extending the area of land under cultivation; that at present there

are no means of transportation in Negros except for sugar brought to the market by lighters from the estates of the owners, from 5 to 14 miles, depending solely upon the condition of the roads, which is usually bad. The actual cost of producing sugar which is marketed at Iloilo, per ton, is as follows: Tilling and planting, $22; cutting and carrying to mill, milling, bagging and shipping, $18, and delivering, $6, making a total of $56 Mexican. These figures exclude material items like interest, investment, taxes, or rents, which are hard to estimate. The present selling price of sugar in the Iloilo market, based on the price in foreign markets, is about $64 Mexican per ton, which allows little or no profit on the sugar from the most favorably located estates, and is considerably less than the cost of production on the interior estates. The following table shows the quantity and value of sugar exported through the port of Iloilo, by fiscal years, since American occupation:

Year.	Number of pounds.	Value.
1899	96,831,930	$1,873,183
1900	116,258,922	2,103,344
1901	77,089,391	1,471,281
1902	135,687,751	2,471,820
1903	226,056,793	3,649,536
Total	651,924,787	11,569,164

At first glance it would seem from the returns of 1893 that the sugar planters were subject to congratulations upon the substantial increase both as to price and quantity of their product, and the apparently improved conditions. As a matter of fact, however, owing to the increased cost of labor and the extraordinary expenditure for animals to replace those killed by the rinderpest, the planters are more deeply in debt at the close of the 1903 season than at any previous time in their history, and if it had not been for the low-ruling rate of exchange enabling buyers to pay more in Mexican currency on practically the same gold prices as last year, a large percentage of the planters would have been entirely ruined and compelled to abandon their estates. The planters have been steadily losing ground since 1899, and have only been encouraged to continue the operation of their estates by the hope each year that their products would be admitted to the markets of the United States at a much more favorable rate of duty than is now imposed. The shipments to the United States have been very small; 71,000,000 pounds of sugar were exported last year in vessels which cleared for the Delaware Breakwater "for orders." A very small proportion of this was shipped into the United States, the larger portion being carried into Canada or England, and all the sugar entering the United States, except one cargo which was allowed to enter free during the brief period when there was no import tax on imports from the Philippine Islands, resulted in a heavy loss to the shippers. The islands of Panay and Negros are among the most thickly populated, and the inhabitants and business interests depend directly or indirectly upon the sugar industry, which is at this time in an exceedingly precarious condition, and unless something is done by Congress to relieve the situation there must be a total industrial collapse in those provinces. Were there admitted to the United

States three or four hundred thousand tons— and there is no likelihood that in the near future the exports of sugar from the islands to the United States will reach any such sum—it would not have any effect upon the price of sugar in the United States, but it would greatly increase the prosperity of the two important provinces named. Sugar is also raised in Pampanga, Cavite, and Laguna, but not so successfully as in Negros and Panay. The conditions prevailing in the islands of Negros and Panay are typical of those throughout the islands. The growth of sugar in Formosa is apt to interfere very largely with the sugar trade of Japan, which already is hampered by a heavy duty.

TOBACCO.

The falling off in the production of leaf tobacco has already been alluded to, as well as the causes for the same. I can not too strongly urge the necessity for the reduction of the Dingley tariff in its application to goods imported from the Philippine Islands to 25 per cent of the rates therein imposed. I am confident that neither in the sugar market nor in the tobacco market will the effect of the amount to be introduced be materially injurious to any interest in the United States, while at the same time it will be of the greatest importance to the prosperity of the islands, and will be a most convincing argument with the people of the Archipelago to show the real interest that the people of the United States feel in the welfare of the Filipino people.

THE LABOR QUESTION.

American and foreign business men continue to complain of the difficulty in securing good labor. This question was discussed in my last annual report, and nothing has occurred since that time to change my views. I think it would be a great political mistake to admit the Chinamen freely into these islands as laborers. I am convinced that the Filipino, as conditions settle, can be made a good laborer; not so good as the American, not so good as the Chinaman, but one with whom it will be entirely possible to carry on great works of construction. We are now employing 2,500 Filipino laborers on the Benguet road, and our engineer reports that, wages considered, they are doing good work. We had an unfortunate experience in obtaining labor for this road, due to a misunderstanding with the proposed laborers, and to the fact that the men were obtained from an undesirable class in Manila and the neighboring provinces. It was fairly inferable from the facts that the persons who agreed to furnish the laborers, either intentionally or unintentionally, misled the laborers as to the terms upon which they should be employed. I append hereto, as Exhibit N, the report of the investigation made by the supervisor of fiscals concerning the failure of the first attempt to employ large numbers of laborers on the Benguet road. Since that time, however, the superintendent has been able to get Filipino laborers from all over Luzon, and, as already stated, the number is 2,500 and it is growing. The Atlantic, Gulf and Pacific Company, which is engaged in building the great Manila port works, needing in its employ from 500 to 1,000 men, has adopted the system of making the laborers comfortable and at home, and now can procure more labor than it needs, and good

labor, too. The following letters from the vice-president of the company seem to leave no doubt upon this point:

MANILA, *July 2, 1903.*

SIR: Answering your esteemed verbal inquiry as to our success with the Filipino labor, we beg leave to state as follows:

First. We believe that Filipino labor can successfully be used. We are employing about 1,000 Filipinos, which is a practical demonstration that this statement is not a theory.

Second. To successfully employ Filipino labor is, to the American employer of labor, a new business, which has to be learned. If he can not learn it he can not do business in the Philippine Islands.

Third. In general, the Filipinos have to be taught how to work. This requires a considerable proportion of intelligent high-grade American foremen and mechanics.

Fourth. The way to keep the Filipino laborer permanently in one's employ is to so arrange his surroundings that he is better off and more contented there than anywhere else. This we have attained by means of providing homes for the Filipinos and their families; also amusements, including Sunday fiestas, and schools where their children may be educated.

Fifth. We are opposed to the introduction of the Chinese. The only argument that we can see in its favor is that it may somewhat expedite the development of the resources of the islands. This temporary advantage is, we believe, overbalanced and overwhelmed by the ultimate injury to both the Americans and natives in the islands.

Sixth. We believe that the greatest need of the islands is the abolition of the Dingley tariff as far as it applies to the Philippines. We want the American market, not the Chinese laborer.

Very respectfully,

ATLANTIC, GULF AND PACIFIC COMPANY,
By H. KRUSI, *Vice-President.*

Hon. WM. H. TAFT,
Governor Philippine Archipelago, Manila, P. I.

MANILA, *November 12, 1903.*

SIR: Referring to your esteemed verbal request to state whether our subsequent experience with the labor situation here is in accord with our letter dated July 2, on this subject, would state that our experience since that time has confirmed us in our opinion therein advanced. We are having no difficulty whatsoever with our Filipino labor, who are doing the bulk of the work under our harbor contract.

The well-known civil engineer, Maj. C. F. Case, was recently at our quarry, and can advise you, if desired, as to the state of affairs there.

I wish to strengthen the statement made in my former letter with reference to the use of American foremen and mechanics. These men are the backbone of our organization, and a certain proportion of them are absolutely essential to the success of any enterprise requiring labor. They are required both to lead and instruct the Filipinos. They must be practical men and not afraid to work with their own hands. Our experience is that about 8 per cent of American foremen and mechanics is advisable.

We are firmly convinced that the best interests of the Philippines demand the use of Filipino and American labor, to the exclusion of the Chinese.

Very respectfully,

ATLANTIC, GULF, AND PACIFIC COMPANY,
By H. KRUSI, *Vice-President.*

Hon. WM. H. TAFT,
Civil Governor Philippine Archipelago, Manila, P. I.

I also append the report of Captain Couden, of the United States Navy, upon the capacity of the Filipino for labor. He has charge of the large number of laborers employed at the Cavite Navy-Yard. It is marked Exhibit O.

The new electric street railway company of Manila, which is just beginning its work of construction, has had no difficulty in securing all the labor it desires.

The Commission employed Messrs. Norton and Drew as railroad engineers to make a reconnaissance survey for trunk lines through the island of Luzon. This report has been published, but will be hereto

appended, for the sake of convenience, as Exhibit P. Mr. Norton is quite discouraging in regard to the possibility of securing native labor for the construction of railroads. I think that the facts do not justify his position in this respect. The Manila and Dagupan Railway was built with native labor, and the extensions which are now being constructed under franchises granted by the Commission are being built by the same labor. It is possible that were a very general system of railroad construction begun all at once in the islands, the supply of laborers here would be found deficient. In such contingency the emergency could be met by special legislation permitting use of coolie labor for a short period; but I anticipate no such necessity.

There is more importation of Japanese labor, but it has not as yet reached any proportion likely to have an effect upon the labor market.

THE EFFECT OF LABOR ON THE INVESTMENTS OF CAPITAL.

There is no doubt that the iteration and reiteration of the deficiency in the supply of labor in the Philippine Islands have had the effect of frightening American investors of capital from coming into the islands. The Commission is strongly desirous of encouraging American capital to come here, but it should be noted that if American capital declines to come that English, Belgian, and other foreign capital is merely awaiting the franchises which are requested for railroad and other constructive enterprises, and that it will be the duty of the Commission to grant such franchises for the benefit of the islands. The owners of English capital already invested in the Manila and Dagupan Railway have accepted two franchises granted for the construction and operation of branches for that railway, and are very anxious to secure other franchises extending their railway in other directions. They are sufficiently familiar with the possibility of securing native labor and of making it available for reasonably economical construction of their works not to be frightened away from the accepting of such franchises and making such investments. A reluctance on the part of American investors will certainly lead to the acceptance of their propositions. It seems to me that this much ought to be said by way of warning American investors that when later on they shall come into the islands, and shall find foreign capital strongly intrenched in many profitable enterprises, they will have only themselves to blame for a failure to seize the opportunity when it was offered them.

The disposition to harken to pessimistic maligners of conditions in the Philippines may prove to be, in this sense, quite costly.

RAILROAD AND OTHER CONSTRUCTION.

The political conditions in the islands are now such as to make the time ripe for a period of great construction. For the next decade railroads, canals, and steamship companies should revolutionize the interior trade of the islands, and should have a most marked effect upon the export trade. There are a number of short lines of railroads that could be constructed, and doubtless will be, without governmental aid, but there are other lines of longer and more difficult construction which should at once be begun, but which we can not expect to have begun unless there is actual governmental financial encouragement. For this reason it seems to me wise that the Commission be authorized,

with the approval of the Secretary of War and the President of the United States, to enter into contracts of guaranty with railroad companies to whom a franchise for the construction of a road shall be granted by which an income of not exceeding 4 per cent, and probably not exceeding 3 per cent, shall be guaranteed on the investment, the amount of which shall be fixed in the law. This method of financial encouragement is much to be preferred to the granting of lands or other forms of governmental subsidy, and I recommend to the Commission that in its report to the Secretary of War, to be transmitted to Congress, it ask for the granting of such power. It is very possible tha under the Philippine act, as now passed such power exists, but it would greatly aid in securing public confidence if this power were expressly granted.

HEALTH.

The cholera, which began in March, 1902, has continued in the islands down to the time of writing. The number of cases was something over 150,000 and the number of deaths something over 100,000. The number of deaths and cases has been very much smaller in the city of Manila than in the provinces which the disease has visited. This is due to the fact that Manila has a water supply which has been carefully guarded from pollution. There is a great need of improvement in the water supply of the smaller towns. The Commission has directed the consulting engineer to investigate the cost of a plant for driving deep or artesian wells in each province of the islands.

Few cases of plague have been found or reported this last year in Manila. An outbreak of plague occurred in Cebu, disclosing an unsanitary condition in that city that required some radical measures on the part of the board of health to remedy.

There is no bureau of government more important in the development of these islands than that which is charged with looking after the health of the inhabitants. The islands, though they contain 8,000,000 people, are sparsely settled. The natural increase by births should be far greater. The immense loss of life from infantile diseases, before the age of 6 months is reached, is one reason why the increase of population is slow. It is within the function of the health board to encourage a better hygienic treatment of young children than now prevails. The improvement of the drinking water, too, will much decrease the death rate.

In connection with the subject of health, reference should be made to the province of Benguet and to Baguio, the capital of that province. The secretary of commerce and police will refer to the work now being done in the construction of the Benguet road from Pozorrubio, through Twin Peaks, to Baguio. There have been serious engineering mistakes made in the road, and it is proving to be much more costly than was expected; but when completed its importance in the development of these islands can hardly be overestimated. One of the things essential to progress in the islands is the coming of more Americans and Europeans who shall make this their business home. If there can be brought within twelve hours' travel of Manila a place with a climate not unlike that of the Adirondacks, or of Wyoming in summer, it will add greatly to the possibility of living in Manila for ten months of the year without risk. It will take away the necessity for long vaca-

tions spent in America; will reduce the number who go invalided home, and will be a saving to the insular government of many thousands of dollars a year. It will lengthen the period during which the American soldiers who are stationed here may remain without injury to their health and will thus reduce largely the expense of transportation of troops between the islands and the United States. More than this, Filipinos of the wealthier class frequently visit Japan or China for the purpose of recuperating. People of this class are much interested in the establishment of Baguio as a summer capital, and when the road is completed a town will spring up, made up of comfortable residences, of a fine, extensive army post, and sanitariums for the relief of persons suffering from diseases prevalent in the lowlands. It is the hope of the government that the Roman Catholic Church will send American priests as it has sent American bishops to the islands, to assist in the moral elevation of the people. The fear of the effect of the climate has kept many from coming. The Roman Catholic Church authorities have announced their intention of erecting rest houses at Baguio for the purpose of the recuperation of their ministers and agents. The Methodists and Episcopalians have already secured building lots in Baguio for this purpose. It is the settled purpose of the Commission to see this improvement through, no matter what the cost, because eventually the expenditures must redound to the benefit of the government and people of the islands. We have already stated, in the report on the public-land act, that it is proposed, under that act, which allows the organizing of town sites, to sell the public land in suitable lots at auction so that everyone interested shall have the opportunity to obtain a good lot upon which to build a suitable house.

SCHOOLS.

One of the most gratifying things to report this year is the great increase in the school attendance in all the provinces but one. This increase is seen both in the attendance of children at day schools and also in the doubled attendance at night schools by adults. Still, only about 150,000, or 10 per cent of the population of school age, are receiving public instruction. We have neither teachers nor schoolhouses enough to carry out our purpose of giving primary English education to every child of school age in the Archipelago. Our resources are not sufficient to permit the necessary expenditure. Several millions could be well expended in the erection of large, airy, and healthy schoolhouses, and the number of teachers might well be multiplied by seven. There is an intense desire throughout the islands to learn English, and when one is familiar with the number of requests for American teachers and for the establishment of schools in which English can be taught, from Aparri to Mindanao, he is justified in smiling at the utterly unfounded charge made by persons professing to have some knowledge in respect to the islands, that we are forcing the English language upon an unwilling people. Here is possibly not the place to defend the policy of a general system of common school education in the islands. I am aware that our plans for education have been the subject of considerable criticism by men whose experience in eastern countries entitles their views to great weight, on the ground that by giving education to the people we unfit them for agricultural and other manual pursuits and inspire them with a desire to

succeed only as clerks and professional men. That the result of higher education upon a people unfitted by training and moral stamina to use it to good purpose may be productive of evil need not here be denied or discussed. That superficial education frequently produces discontent and brings about social disturbances may also be conceded. The condition, however, which is most productive of social disturbances is the existence of a vast mass of ignorant people easily and blindly led by the comparatively few of their superficially educated countrymen into insurrection and lawless violence without any definite knowledge or certainty as to the beneficial results therefrom. The theory upon which we justify, even on political grounds, the spread of education is that the more the mass of ignorant persons is reduced in number by diffusing among them common school education the less likely are they to be led away by degenerate political fakirs into experiences and projects that can lead to nothing but disaster. The common school education does not unfit either the oriental or the occidental laborer for manual effort, but it does enlighten him as to a more civilized life, and does increase his wants and thus does furnish a motive for more continuous and harder labor.

The Commission has thought it wise to inaugurate the plan of sending to America each year for education an average of 100 boys and girls of high-school age for the purpose of enabling them to become teachers, lawyers, doctors, and engineers, on condition that for five years after their return they shall be subject to call by the Government for public service. One hundred boys were sent in October. Seventy-five of the appointments were allotted to the provinces in proportion to the school population and interest in the schools shown in the provinces. They were selected in each province by the division school superintendent after a conference with the provincial governor, and then 25 were selected at large by the Civil Governor. Seventy-five were required to come from the public schools. They left Manila in charge of Professor and Mrs. Sutherland. They go to southern California, and will, in groups of eight and ten, be sent to the county high schools of that State which bear a high reputation. It is thought that by June of next year Professor Sutherland, who will have general supervision of them, may be able to classify them properly and distribute them among the preparatory schools or colleges of the East. The proficiency of the students in English formed an important element in the grounds for their selection. The plan was very popular and awakened a great interest in every town in the islands. As far as possible the selections made this year were by competitive examination. Next year a more rigid system will be followed. Next year probably one-third or one-half of those selected will be girls, with a view to their education as teachers.

THE PHILIPPINE EXHIBIT AT THE LOUISIANA PURCHASE EXPOSITION AT ST. LOUIS.

By Act No. 514, passed on the 11th of November, 1902, for the purpose of securing, organizing, and making an exhibit of Filipino products, manufactures, art, ethnology, education, and habits of the people, it was provided that there should be a board of three members, to be appointed by the civil governor, with the consent of the Philippine Commission. The board was authorized and directed to hold a pre-

liminary exposition of certain of the exhibits at Manila in the autumn of 1903, and to establish a permanent museum in Manila. It was authorized to secure the needed land from the authorities of the St. Louis Exposition, to expend the necessary sums in the drawing of plans for the necessary buildings and for their construction, and for the laying out of the ground included in the tract assigned to the Philippine exhibit; to incur all necessary expenses in securing the exhibits, including the necessary advertising, in the transportation of exhibits from the point where secured in the Philippine Islands to Manila and thence to St. Louis. The board was authorized to incur in all this work obligations not exceeding in the aggregate the sum of $250,000. The heads of all the bureaus of the insular government and the governor and members of the provincial boards of provinces and all municipal presidents and other officers were directed to furnish every assistance in their power to the exposition board in obtaining the exhibits. The board was directed to render a monthly report of the work done by it to the civil governor, and a quarterly account of its receipts and expenditures to the civil governor and the auditor of the islands. By another section the civil governor was authorized to appoint five honorary commissioners to visit the exposition and to report upon the same. One hundred and twenty-five thousand dollars gold was appropriated to meet the obligations incurred under the act. Amendments were made to the act subsequently, varying some of the powers of the commission and dispensing with the necessity for a preliminary exposition in Manila, which proved to be impracticable, and appropriating $325,000, making the total appropriation half a million dollars for the expense of the exhibit. At the same time there was obtained from the authorities of the St. Louis Purchase Exposition the use of 40 acres of land, the promise of a contribution of $200,000 to the erection of the necessary buildings at the exhibit at St. Louis, and the proceeds of concessions granted in the grounds of the exhibit. Dr. William P. Wilson, director of the Philadelphia Commercial Museum, Dr. Gustavo Niederlein, his assistant, and Señor Pedro A. Paterno, who had had much to do with a Filipino exhibit at Madrid, were named the exposition board, and Señor Leon M. Guerrero, a Filipino of high scientific attainments, was made the secretary of the board. Doctor Niederlein came to the islands immediately upon his appointment, and with extraordinary energy has secured upward of 50,000 exhibits, which will probably be increased to 80,000. The Secretary of War has ordered a battalion of four companies of Philippine Scouts to be sent to the exposition, and the Philippine Commission has ordered two companies of constabulary and one constabulary band of 80 pieces also to visit the exposition and remain there while it is open. Among the exhibits will be several colonies of the various tribes, civilized and uncivilized, for the purpose of giving opportunity for ethnographic study of the people of the Philippines.

The work has not been without its obstacles, but it is hoped that the exhibit will be of interest to the American people and give them a clearer idea than they now have, not only of the inhabitants of the islands, but also of their extent and the variety of their products, the work which has been done in the matter of education, their artistic tastes, and their capacity in many directions. The section directing the appointment of five honorary commissioners has not yet been amended, but it is the purpose of the Commission to increase the number to a

delegation of from 30 to 50 prominent Filipino gentlemen of education and culture, who will visit the exposition and various cities of the United States at the expense of the insular treasury, with a view to bringing the two peoples nearer together and to showing the intelligent Filipinos what our country is and what our institutions mean. At the same time this delegation will be able, in the congresses at St. Louis, to represent with dignity the intellectual development of the islands and to speak with authority upon the needs of their people. It is thought that the large amount of money expended is justified by the commercial advantages to the Philippine Islands which will follow an exhibit of its products and resources, as well as the great benefit to be derived from a closer union and a better mutual understanding between the American and Filipino people. I append hereto as Exhibit Q the report of the exposition board.

THE CENSUS.

The details of the taking of the census will doubtless appear in the report of the secretary of public instruction, in whose department the bureau of the census by law is put, and the rough results of the census, so far as population is concerned, will there appear. It is sufficient to say that the census was almost wholly taken by Filipinos under the direction of General Sanger and his skilled assistants, Mr. Gannett and Mr. Olmstead, and that on the whole the machinery proved to be very satisfactory. The returns are now being compiled in Washington, but will probably not be published before October of 1904. At the end of two years from that date, if the President shall find that tranquillity prevails in the Christian Filipino provinces, it will become his duty to direct a holding of an election for selection of members for a general assembly of the Christian Filipino people, which will be a coordinate branch of a legislature to be composed of the Commission and the legislative assembly. This will doubtless prove to be a most important step in the growth and development of the Philippine people, and I have abiding confidence that the conservative elements in the Filipino people will accept this concession on the part of the Congress of the United States as a proffered test of their capacity to avoid foolish and impracticable legislative measures and of demonstrating the existence among them of that self-restraint which is indispensable to the growth of popular and effective self-government.

OPIUM.

Reports from various provinces and information from other sources have convinced the Commission that the smoking of opium is spreading among the native Filipinos. Under the Spanish régime Filipinos were under penalty of fine or imprisonment if convicted of smoking opium, but opium joints or smoking places were licensed to be used only by Chinamen. Under the tariff act now in force the tariff on opium was somewhat reduced, on the theory that a high tax on the importation of the drug increased the smuggling of it. The result is that except for the tariff there is no restriction at all on the sale of opium at present, except that town councils are required to pass ordinances suppressing opium joints.

Commissioner Moses was appointed to draft an opium bill, and on

his resignation the task fell to Commissioner Smith. He drafted a bill which, in short, forbade the use of opium by Filipinos, or the sale of it to Filipinos, but provided for the granting of the monopoly for the sale of opium to Chinamen for one year to the highest bidder. The maintaining of a public place for the smoking of opium was punished by a fine, and every Chinaman was forbidden to smoke opium except on his own premises. This bill called forth considerable opposition, especially from the president of the Evangelical Union, of Manila. Doctor Stuntz, of that association, who had had a large experience in India, was especially emphatic in condemning the sale of the monopoly, which he insisted had a tendency to increase rather than to diminish the use of opium. A very extended discussion before the Commission was carried on, and communications were had with the Secretary of War upon the subject. A stenographic report of the discussion has already been forwarded to Washington.

The result was that the Commission hesitated to take action before a more thorough investigation could be made into the methods of dealing with opium smoking in oriental countries. Accordingly a law was passed, No. 800, under which a committee was to be appointed by the civil governor to visit the various oriental countries and make a report upon the methods of restricting the sale and use of opium which were in force in the East. Major Carter, surgeon, United States Army, and commissioner of health of the Philippine Islands, Dr. José Albert, a prominent Filipino physician of Manila, and the Right Rev. Charles H. Brent, Protestant Episcopal Bishop of the Philippine Islands, were appointed to make up this committee. Their report is expected in February or March, and until that time action by the Commission has been delayed.

CIVIL SERVICE.

The report of the civil-service board, which is attached hereto and marked "Exhibit R," shows that the principles of the merit system are being enforced with much rigor, that the examinations for places are increasing, especially among the Filipinos, and that the proportion of the places given to the Filipinos is becoming greater. In the next three or four years the proportion of Filipinos in the government is certain to increase rapidly. There are many places in the executive departments which can only be filled by one who knows English. The rapidity with which the Filipinos are learning English gives assurance that this cause of their exclusion will not much longer continue.

Americans responsible for the government of these islands have suffered a most humiliating experience during the past year in the numerous defalcations of Americans charged with the official duty of collecting and disbursing money. The defalcations in the islands have extended also to the clerical service of the American business firms in the islands. The practice of the government has been to appoint to positions of pecuniary trust, especially to those where the amount of money handled was large, Americans alone. They were all placed under bond in either the Union Surety and Guaranty Company, or, later, in the Fidelity and Deposit Company of Maryland, or the American Surety Company of New York. The insular treasurer and the insular auditor have had great difficulty in securing examiners in suffi-

cient number to make the examinations as frequently as the law requires, and the immunity from frequent examinations, which in future will not continue, may explain some of the defalcations. Everyone connected with the government realized as soon as the defalcations were made public the demoralizing effect that such revelations must have upon the service unless such dishonesty was promptly punished. A still more serious result was the effect upon the Filipinos, who had been advised that Americans would be honest where others had not been so careful in accounting for public money. Prosecutions were vigorously begun against all defaulting officers, and the surety companies have responded when shown their liability.

So far as is known, the only defaulting officer who has escaped trial is a deputy collector named Stewart, at Iloilo, who managed to reach the United States at a time when there was no extradition law. It is hoped that he will be apprehended and brought back. In other cases defaulting officials have reached Hongkong, Shanghai, or even Montreal before their arrest, but the insular government, sparing no effort or expense, has succeeded in bringing them to their well-deserved punishment. Two defaulters, though tried, have escaped conviction of embezzlement on the ground that others had stolen the money. In the case of one of these, three subordinates were convicted.

The question that naturally presents itself after a review of these instances of dishonesty is whether we are to expect a recurrence of them. I am glad to say that I think not. They are the natural result of the circumstances under which selections for official positions in the beginning of this government had to be made. The mode of selection under the civil-service law could not, of course, be applied at first, because the government had to become at once a going concern. The army officers who had begun the civil government here had to be relieved, the number of officers, as civil government spread through the provinces, had to be largely increased, and the material from which selections had to be made was those men who had resigned from the Army or had been mustered out and proposed to remain in the Philippines. It was impossible in the selection of so many officers to institute a thorough investigation into their lives in the States. There were men among those who have proven since to be defaulters who changed their names with the view of avoiding the investigation which would have disclosed dishonesty in their past lives. Then, too, in the very unsettled conditions which have prevailed here, men who would not have yielded to temptation to dishonesty in the States were unable to resist it here. As was said in the first report of the Commission:

> Many leave the United States honest, but with the weakening of the restraints of home associations and with the anxious desire to make so long a trip result successfully in a pecuniary advantage, demoralization and dishonesty are much more likely to follow than at home. To avoid the dangers presented by these conditions it is necessary, first, to banish all favoritism and political considerations from the selection of civil servants and rigidly enforce the requirements of a competitive examination and a satisfactory showing by the applicant of his good moral character; second, to pay adequate salaries and to allow liberal leaves of absence adapted to preservation of health in the Tropics, thus securing that contentment with the service without which good work is not possible, and, third, to awaken an enthusiasm in the service by offering as a reward for faithful and highly efficient work a reasonable prospect of promotion to the highest position in the government.

The lack of ordinary, rational, and healthful amusements for one engaged as a provincial officer in the country itself turns the minds of

not overstrong natures toward vicious pursuits and enjoyments like those of gambling and licentious association with native women. There is thus furnished a means of spending money in excess of the legitimate salaries, which soon leads on to an appropriation of the public funds. In the beginning of this government it was impossible to organize a system of inspection which should enable us to follow the private lives of our employees charged with the custody of money, but as the organization becomes better and our system of inspection becomes more thorough we are able to furnish the weaker of our employees the fear of expected inspection as a strong motive for pursuing honest ways. There follows below a short statement of the history of each of the defaulting officials in the Philippine civil service during the period July 1, 1902, to November 9, 1903:

James F. Beahan.—Born at Boston, Mass., in 1877. Enlisted in Company A, Ninth Massachusetts Volunteers, May 4, 1898; discharged November 26, 1898. Enlisted in Company F, Ninth U. S. Infantry, January 14, 1899; discharged January 31, 1900, to accept employment as clerk in the office of the chief surgeon, provost guard, Manila. Continued with the board of health, and promoted to clerk at $1,600 October 1, 1901; appointed disbursing officer April 1, 1902, at $1,800 per annum. An examination, made in October, 1902, of his accounts disclosed numerous claims for credit covering duplicated payments, besides evidence of forgery of names to a pay roll for which he had claimed credit. These fraudulent claims for credit amounted to about $4,300 Mexican currency, but there were besides many irregular vouchers and improper transactions. Mr. Beahan was tried and convicted on two charges, the first of "falsification of public documents," for which he was sentenced to twelve years imprisonment December 16, 1902. On the second charge, "misappropriation of public funds," he was given an additional sentence of twelve years imprisonment March 31, 1903. Between the time of his arrest and final conviction Mr. Beahan fled to Shanghai, China, where he was apprehended and returned. The government secured by attachment the amount of a personal deposit of $2,000 gold made by him in one of the Manila banks.

William A. Wilson.—Born at Buffalo, N. Y., in 1871. Enlisted in the Thirty-fifth Infantry, U. S. Volunteers, August 22, 1899; discharged March 13, 1901, as regimental commissary sergeant; temporarily employed in police department, April 1 to August 9, 1901, as clerk at $1,200 per annum; appointed to the bureau of the insular treasury as clerk at $1,200 per annum August 12, 1901, as a result of civil-service examination; transferred to office of the captain of the port at $1,600 September 12, 1901; transferred to the bureau of coast guard and transportation January 1, 1902, at $1,800; promoted to disbursing officer April 1, 1902, at $2,000. In December, 1902, he disappeared, and in the examination of his accounts which followed an actual cash shortage of $19,265.65 Mexican currency was discovered. Wilson was traced by way of Hongkong and Shanghai to Montreal, Canada, where he was arrested by United States secret service agents and returned to Manila for trial. He was charged with "misappropriation of public funds" and "falsification of a public document." In the first case he received a sentence, April 13, 1903, of twelve years imprisonment, and in the second case a sentence of twelve years and one day and a fine of 1,250 pesetas, April 20, 1903. Demand was made for the full amount of the shortage upon the Fidelity and Deposit Company of Maryland and the American Surety Company of New York, joint sureties, and the claim was settled in full October 22, 1903.

Matthew T. E. Ward.—Appointed subinspector in the Philippines Constabulary May 1, 1902; promoted to fourth-class inspector July 1, 1902. In October, 1902, he was found short in his cash and commissary accounts to the amount of $1,266.26 Mexican currency, and was tried on the charge of "misappropriation of public funds," and was sentenced to imprisonment for two years, four months, and one day on December 4, 1902. The full amount of his shortage was paid by the Union Surety and Guaranty Company of Philadelphia August 31, 1903. An additional shortage on account of property is still undetermined.

Charles J. De Witt.—Born at Brooklyn, N. Y., in 1876. Formerly an enlisted man in the Third U. S. Cavalry; appointed fourth-class inspector, Philippines Constabulary, at $800 per annum, September 19, 1902. In January, 1903, he was found short $10,498.83 Mexican currency in his cash, commissary, and property accounts; was tried for "misappropriation of public funds" and sentenced, February 9, 1903,

to ten years' imprisonment. The amount of his shortage was paid August 15, 1903, by the Fidelity and Deposit Company and the American Surety Company, joint sureties.

O. G. MILNE.—Born in New York in 1881. Appointed postmaster at Tacloban, Leyte, September 1, 1902, at $1,000 per annum. In November, 1902, he claimed to have been the victim of a robbery of over $12,000 United States currency in money-order funds from his office. His statements were not consistent. The matter was investigated by the inspectors of the bureau of posts, and upon the evidence secured Milne was arrested and convicted of "misappropriation of public funds" to the amount of $12,140.80 United States currency. He was sentenced, May 1, 1903, to imprisonment for eight years and one day. After his conviction he confessed his crime and pointed out where $9,102.50 United States currency, for which he was accountable, was concealed. This sum was recovered and a further sum of $3,000 United States currency, the full amount of his bond, was paid July 21, 1903, by the Union Surety and Guaranty Company of Philadelphia.

ALBERT C. ROBERTS.—Born in Kentucky in 1873. Served as sergeant of Company D, Second Kentucky Volunteer Infantry, and as regimental quartermaster-sergeant of the same regiment; enlisted May 3 and discharged August 31, 1898. Served in subsistence and quartermaster's departments of U. S. Army from November 1, 1898, to June 30, 1901; appointed bookkeeper in the Insular Cold Storage and Ice Plant, July 1, 1901, at $1,500 per annum; compensation increased to $1,800 January 1, 1902. Upon examination of his accounts in May, 1903, he was found short to the extent of $1,622.42 United States currency, and $7,014.65 Mexican currency, and was tried on the charge of "misappropriation of public funds," but was convicted of permitting others to abstract public funds, and sentenced July 10, 1903, to pay a fine equal to the amount of the shortage in addition to the civil liability under his bond. Demand was made upon the Fidelity and Deposit Company and the American Surety Company, joint sureties, and the claim was settled in full October 22, 1903. Case pending on appeal of the government, seeking a sentence of imprisonment for years in the penitentiary.

J. VALENTINE KARELSON.—Born in New York City in 1875. Enlisted in the Twenty-seventh Battery, Indiana Light Artillery, May 10, 1898; discharged July 17, 1898, for disability; appointed to the position of clerk, at $900 per annum, in the Manila post-office, May 16, 1902, as a result of civil-service examination; transferred to the position of postmaster at Calamba, Laguna, January 15, 1903, at $1,000 per annum. In April, 1903, he claimed to have lost $1,000, United States currency, in transit to his depositary at Manila. Investigation showed that his claim was a false one. He was charged with "misappropriation of public funds," convicted, and sentenced July 5, 1903, to imprisonment for ten years and one day, and to pay a fine of $1,000 United States currency. Demand has been made upon the Union Surety and Guaranty Company, but the matter is unadjusted.

WALTER SHULTZ.—Born at Houstonia, Mo., in 1875. Enlisted in Company H, First Territorial Infantry, July 27, 1898; mustered out February 17, 1899; reenlisted in Company H, Thirty-fourth Infantry, July 25, 1900; discharged as sergeant February 26, 1901; appointed postmaster at Laoag, Ilocos Norte, on a percentage basis, March 1, 1901; salary fixed at $1,000 per annum April 1, 1901; returned to the percentage basis October 1, 1901; reappointed postmaster at Laoag April 1, 1903, at $900 per annum; salary increased to $1,000 July 1, 1903. In July, 1903, he was found short $2,500 United States currency by Post-Office Inspector Ladd. Shultz confessed and made a full statement of his peculations. He was charged with "misappropriation of public funds," and sentenced to imprisonment for eight years and one day. The final audit of this account showed a net shortage of $2,511.97 United States currency. It appeared by the confession of the late postmaster that the sum of $809.52 United States currency was abstracted from the money-order funds prior to October 1, 1902, at which time a bond given by the Union Surety and Guaranty Company was effective. For the remainder of the shortage, $1,702.45 United States currency, the Fidelity and Deposit Company and the American Surety Company were deemed jointly liable. Demand was made upon the surety companies concerned, and the amount for which each was liable was paid October 22, 1903.

BARTLETT SINCLAIR.—Born at Lancaster, S. C., in 1864. A member of the New York bar and subsequently auditor of the State of Idaho. Most highly recommended. Appointed treasurer province of Rizal September 25, 1901. In January, 1903, he was found short in his accounts in the sum of $1,410.40 United States currency. He was removed from office and charged under a Spanish statute still in force with "carelessness and negligence in office," as a result of which he permitted others to abstract public funds. The books of the late treasurer, as kept by him, showed a shortage of over $10,000 Mexican currency, while additional debits not

charged, amounting to over $10,000 Mexican currency, were discovered in the examination of his office. The case against Sinclair resulted in acquittal, on the peculiar ground that he was as attentive to his duties as a man with his lack of money accounting sense could be expected to be, October 20, 1903. The loss has been paid in full by the sureties.

EMORY H. FOGERTY.—Born at Worcester, Mass., in 1874. Cadet United States Revenue-Cutter Service, 1898–1900. Appointed to the Philippine civil service from the United States as a result of civil-service examination April 21, 1902; assigned to the position of deputy treasurer, province of Rizal, under Bartlett Sinclair. Mr. Fogerty made a written confession of having appropriated to his own use a sum equivalent to $1,276 United States currency, pleaded guilty, and was sentenced April 8, 1903, to three years' imprisonment.

RICARDO GUTIERREZ.—Born in Baliuag, P. I., in 1882. Appointed clerk in the office of the treasurer, province of Rizal at $180, July 9, 1901; promoted September 15, 1901, to the position of deputy treasurer at $350 per annum. While deputy of ex-Treasurer Sinclair, was charged with misappropriation of $244.34 Mexican currency, but reimbursed the government before the date of his sentence, which was imprisonment for four months and one day.

GREGORIO DE SILVA.—Born at Pasig, P. I., in 1875. Appointed clerk in the office of the treasurer, province of Rizal, on July 15, 1901, at $180 per annum. While deputy of ex-Treasurer Sinclair, he was convicted of having appropriated $46.28 Mexican currency, but reimbursed the government before a sentence of two months' imprisonment was imposed.

FRANK DEAN TOMPKINS.—Born at Troy, N. Y., in 1870. Appointed first lieutenant, First U. S. Volunteer Infantry, June 21, 1898; honorably mustered out October 28, 1898; appointed first lieutenant, Thirty-third U. S. Volunteer Infantry, April 5, 1899; detailed as treasurer and collector of internal revenue, province of La Union, while in the military service, and appointed treasurer of the province of La Union August 15, 1901, at $2,000 per annum. An examination of the accounts of Dean Tompkins made in June, 1903, disclosed a shortage of $221.15 United States currency, and $22,744.25 Mexican currency. After the seizure of his office, July 5, 1903, by the deputy of the insular treasurer, Mr. Tompkins made cash payments on his shortage amounting to $1,129.99 United States currency and $7,061.26 Mexican currency, besides payment by personal notes given by him to various persons for salary vouchers, for which he claimed credit in his accounts, amounting to $294.50 United States currency and $1,338.74 Mexican currency. The persons who accepted these notes now state that they did so with the understanding that the province was cramped for funds or that the actual cash was not available, and that the obligation of the government to pay was not discharged by acceptance of the notes. The notes were given to provincial officers and employees after the seizure of the office, however. Nine charges were filed against ex-Treasurer Tompkins—four for "estafa," four for falsification of public documents in forging names of municipal treasurers to receipts for money for which he took credit, and one for misappropriation of public funds amounting to $221.15 United States currency and $22,744.25 Mexican currency. One of the cases for "estafa" resulted in acquittal on account of a technicality. In the next case heard, the charge being forgery, the defendant was found guilty and sentenced to imprisonment for seventeen years, four months, and one day. During the hearing of the third case brought to trial, that of misappropriation of public funds, the defendant fell sick, and further hearing of the case was postponed to October 1, 1903. This case resulted in conviction, and an additional sentence of imprisonment for nine years was imposed October 15. The loss is unadjusted. The remainder of the indictments are in abeyance.

ALFRED E. WOOD.—Born at Reigate, England, in 1864. Appointed in the United States to the Philippine civil service as clerk, at $1,400 per annum, as a result of civil-service examination; assigned to the bureau of the insular purchasing agent upon arrival; resigned and appointed in the Census Bureau October 31, 1902; resigned December 5, 1902; reinstated and appointed chief clerk and deputy treasurer of the province of La Union December 15, 1902, at $1,200 per annum. As deputy to Dean Tompkins, ex-treasurer of Union province, he made certain illegal collections from municipal treasurers and embezzled the same. The amount involved is a part of the treasurer's shortage. Wood was found guilty September 10, 1903, of "estafa," and sentenced to four months' imprisonment in the provincial jail.

THOMAS P. COATES.—Born in Illinois in 1880. Appointed to the position of clerk, bureau of customs, Condon, P. I., at $600, on February 20, 1900. Promoted to coast district inspector of customs, San Fernando, Union, at $1,400, on June 24, 1901. In July, 1903, he was found short in his accounts $1,990.22 Mexican currency, by Supervising Special Agent Edwards, of the customs service. Coates was charged with

misappropriation of funds, and also with "estafa," in using a false and fraudulent check of Dean Tompkins to deceive the special agent. He was found guilty of the first charge September 9, 1903, and sentenced to eight years' imprisonment. The defendant paid the amount of his shortage in open court.

CHARLES H. OSBORN.—Born in Brooklyn, N. Y., in 1875. Enlisted in Company B, Ninth New York Voluntary Infantry, May 2, 1898. Reenlisted in Company L, Third U. S. Infantry, July 20, 1900; discharged to accept employment as clerk in the office of the adjutant-general, Department of North Philippines, June 23, 1901; transferred to Quartermaster's Department December 21, 1901; appointed fourth-class inspector, Philippine Constabulary, June 20, 1902, at $800 per annum; assigned as supply officer at San Fernando, Union, September 30, 1902; compensation increased to $900 per annum June 1, 1903; June, 1903, he was found short $6,081.55 Mexican currency, in his disbursing and commissary accounts, and was charged with misappropriation of public funds and "estafa" in using a false and fraudulent check of Dean Tompkins for $3,000, to be used as cash during inspection of his accounts. Osborn was found guilty of misappropriation of funds and sentenced September 9 to ten years' imprisonment. Demand will be made upon his sureties without delay.

QUINTIN R. GONZALEZ.—Born at Manila, P. I., in 1870. Appointed fourth-class inspector, Philippine Constabulary, September 20, 1901, at $890 per annum; promoted to third-class inspector June 17, 1902, at $950; promoted December 18, 1902, to $1,000. He was found short in his accounts to the amount of about $1,600 Mexican currency, and is under arrest pending trial. The shortage has been made good by him.

WILLIAM G. HOLLIS.—Born at Chatham, Mass., in 1873. Enlisted in Company L, Fifth Massachusetts Infantry, June 1, 1898; mustered out March 31, 1899; served as property clerk and stenographer in the Quartermaster's Department in Cuba and later in the office of the depot quartermaster, Department of Northern Luzon, from 1899 to June 30, 1901; appointed clerk, office of the insular treasurer, July 1, 1901, as a result of civil-service examination, at $1,200 per annum; salary increased July 15 to $1,400; September 1, to $1,600; October 17, to $1,800; February 1, 1902, to $2,000; appointed treasurer of Occidental Negros August 8, 1902. In June, 1903, an examination of his cash accounts showed a shortage, as of June 23, 1903, of $11,063.11 Mexican currency, with an overage of $86.71 United States currency. His trial is pending before the court of first instance of Bacolod. Demand will be made upon sureties for the amount misappropriated.

JAMES W. WALSH, Jr.—Born in North Dakota in 1876; appointed subinspector, Philippine Constabulary, at $480 per annum, February 13, 1902; promoted April 1 to fourth-class inspector at $800; defaulted in his accounts in October, 1903. From the incomplete records in this office it appears that he is short in his disbursing account in the sum of $10,557.66 Mexican currency, and in his commissary account in the sum of $5,603.98 Philippine currency. He was convicted and sentenced to ten years' imprisonment for the shortage of more than $10,000 in his local currency account, and was given an additional sentence of ten years' imprisonment for the embezzlement of commissary stores.

CHARLES G. JOHNSON.—Appointed subinspector, Philippine Constabulary, April 26, 1902, at $480 per annum; promoted to fourth-class inspector at $800 per annum on July 1, 1902. While acting in his capacity of supply officer of constabulary it appears that he turned pirate and was killed in an attempt to escape capture. Incomplete reports at hand indicate a shortage of $8,625 Philippine currency. The defalcation in his accounts occurred in September, 1903. Demand will be made upon his sureties for the full amount involved.

For the purposes of comparison there follows a letter from the auditor showing the total number of officers in the Philippines handling money, either as receiving or disbursing officers, and the amounts handled:

THE GOVERNMENT OF THE PHILIPPINE ISLANDS,
OFFICE OF THE AUDITOR,
Manila, November 10, 1903.

SIR: In compliance with your verbal request, I have the honor to submit herewith lists of the collecting and disbursing officers, insular and provincial (including the city of Manila), who served during the fiscal year 1903.

It should be noted that many persons served as collecting or disbursing officers in more than one capacity, and in such cases the name appears for each capacity, as such accounts, so far as the auditor is concerned, are as separate as if rendered by different individuals.

The lists may be classified as follows:

Number of officers who received or disbursed over $2,000,000	4
Number of officers who received or disbursed more than $1,000,000 and less than $2,000,000	3
Number of officers who received or disbursed more than $500,000 and less than $1,000,000	10
Number of officers who received or disbursed more than $100,000 and less than $500,000	31
Number of officers who received or disbursed more than $75,000 and less than $100,000	22
Number of officers who received or disbursed more than $50,000 and less than $75,000	29
Number of officers who received or disbursed more than $40,000 and less than $50,000	15
Number of officers who received or disbursed more than $20,000 and less than $40,000	80
Number of officers who received or disbursed more than $10,000 and less than $20,000	81
Number of officers who received or disbursed more than $5,000 and less than $10,000	84
Number of officers who received or disbursed more than $1,000 and less than $5,000	185
Number of officers who received or disbursed more than $500 and less than $1,000	69
Number of officers who received or disbursed less than $500	491
Total	1,104

The treasurer of the islands, who is not included in the foregoing classification, received during the fiscal year deposits of insular funds amounting, approximately, to $15,000,000 in United States currency and $25,000,000 in Mexican currency. As depositary he received additional deposits amounting to $27,965,608 in United States currency and $24,612,902 in Mexican currency.

Respectfully,

A. L. Lawshe, *Auditor.*

The honorable Civil Governor.

The percentage of defaulters thus appears to be less than 2 per cent. This is far too large, but we feel assured that next year will show a notable decrease. "It is an ill wind that blows nobody good," and the punishment of American officials for dishonesty has furnished the Filipinos a spectacle which they never enjoyed during the Spanish régime. It is not a matter of inference, but it is a matter of observation, that the prompt trial and severe punishment of American officials has inspired in the Filipinos confidence in the sense of justice of this government. The severe losses entailed on the surety companies during this year will probably necessitate an increase in the rate at which the bonds will be issued for the next year, and yet at no other time in the history of the islands, probably, is the surety business likely to be more lucrative than during the immediate future.

The revelations of dishonesty in the officials above named have not shaken, but have only strengthened our confidence in the wisdom of the merit system. The means of obtaining information concerning a man's previous character are being much improved, and the certainty of tenure produced by the merit system all tend to inspire the civil servant with an esprit de corps and convince him that the only possible course for him to pursue with a view to success is a devotion to duty and to the interests of the public and the government. The merit system excludes favoritism, and with favoritism excluded and the reasonable hope of promotion for good work present, there is a certainty of securing honest and enthusiastic civil servants.

THE COASTWISE LAWS.

Unless Congress takes some action, on July 1, 1904, the coastwise laws of the United States will apply not only to the interisland shipping trade, but also to the trade between the islands and the United States. In the present conditions nothing could be more disastrous to these islands. The effect of the laws would be to exclude from the islands and the American trade all but American bottoms. The interisland trade is as necessary to the life of the islands as the arterial system to the human body. The application of the United States coastwise laws would exclude a great majority of the ships now engaged in the trade and would inflict immense damage to the business of the islands. In 1899, by Executive order, the coastwise trade was limited to vessels bona fide owned either by a citizen of the United States, resident in the islands, or a native inhabitant, or a resident who had become a citizen of the islands by the treaty of Paris. Even this order, if strictly enforced, would have excluded a large proportion of the available coasting vessels then engaged in the business, and the military authorities, to avoid the disaster of driving them out of the trade of the islands, winked at colorable transfers to Filipino clerks and agents in whose names certificates of protection were taken out. These vessels had been in the trade in Spanish times, and they were still needed. Any change in the existing laws should provide that vessels now having a certificate of protection should be allowed to continue in the trade. Indeed so convinced were the Commission that the interisland shipping was not extensive enough for the good of the islands that we procured an amendment to the Executive order by which, under certain restrictions, vessels under foreign flags may engage in the interisland trade. The occasion for this was a combination among the interisland shippers to keep up unreasonable rates. The amendment has had an excellent effect and rates are more reasonable, although still too high. If the present profits of the interisland trade are not sufficient to attract American capital, then certainly it would be selfish exploitation of these islands of an indefensible character to exclude vessels now in the trade and impose the heavy burden of higher freight rates in order to induce American capital to invest in coastwise vessels, and would furnish just ground for reproach against a government professing good will and doing evil. It seems to me that the best provision of law which could be adopted, so far as the interisland trade is concerned, would be to place the matter wholly in the discretion of the Commission, which, as conditions change and warrant it, could make the restrictions in favor of American and Filipino shipping greater.

With respect to the trade between these islands and the United States, I concur fully in the remarks of Collector Shuster in his annual report in which he says:

> At the present time the greater part of the freight traffic between the Philippines and New York is carried on in foreign bottoms. So far as indications go, any law which prevented the continuance of that trade in foreign bottoms until an equal tonnage of cheaply operated American freighters are actually available to take up that trade and maintain healthy rate competition, would result in a decided increase over the present rates of freight. This additional burden would fall upon the already weakened resources of these islands and such a result would be more than lamentable from every standpoint.

The tonnage plying between these islands and the Pacific coast is about equal to the present freight supply and no change in the present law seems advisable so far as trans-Pacific routes are concerned.

It is, therefore, earnestly recommended that the present laws, so far as they permit foreign bottoms to trade between these islands and the mainland territory of the United States, be not changed for a period of at least five years from July 1, 1904, and that positive legislation to that effect be had by Congress at an early date.

THE INSULAR REVENUES.

The report of the auditor shows that the revenues of the islands for the year ending June 30, 1903, exceeded those for the year ending June 30, 1902, as follows:

Comparative statement of revenues of the Philippine Islands, fiscal years 1902 and 1903, exclusive of provincial receipts and refundable collections.

Items.	Fiscal year 1903.	Fiscal year 1902.
Customs	$9,215,551.88	$8,398,864.35
Postal	145,702.53	137,811.99
Internal	7,867.01	94,634.84
Miscellaneous:		
Ordinary	595,350.95	508,120.60
Extraordinary	567,581.97	42,571.86
City of Manila under provost-marshal (exclusive of internal revenue)		85,709.51
Total insular revenue	10,532,054.34	9,267,713.15
Increase in 1903	1,264,341.19	
City of Manila	1,542,463.83	1,113,850.07
Increase in 1903	428,613.76	
Total, including city of Manila	12,074,518.17	10,381,563.22
Increase in 1903	1,692,954.95	

In the fiscal year 1902 receipts in the city of Manila from July 1 to August 7, 1901, prior to the incorporation of the city of Manila, amounting to $82,813.43, are included in the internal revenues; and $85,709.51 was collected by the provost-marshal-general administrating the department of receipts and disbursements, making total collections in the city of Manila, under the charter and otherwise, $1,282,373.01, as against $1,542,463.83 for 1903, an increase in 1903 of $260,090.82.

Forestry taxes collected in each year are excluded, these collections being refundable to the several provinces in which the timber was cut.

The income for the year ending June 30, 1902, exclusive of the city of Manila, was $9,465,952.44, the income for the city of Manila was $1,199,559.58, and the total income was $10,665,512.02. The income for the year ending June 30, 1903, included about $560,000 of extraordinary items. These were the amount paid by the United States for the gunboats turned over to the Navy, purchased out of insular funds; and the Spanish insurgent seized funds, turned over to the insular treasury. During the year we had the extraordinary expense of taking the census, for which there was appropriated something over $694,000; and in addition to that we had appropriated $125,000 for the exposition board for the preliminary expense for the Philippine exhibit at the Louisiana Purchase Exposition. Added to this were the appropriations of $1,000,000 for the continuance of the harbor works in the port of Manila, $350,000 for harbor works in the city of Cebu, and $150,000 for the harbor works in the city of Iloilo. The result is that the surplus, which on June 30, 1902, amounted to $4,000,000, has been reduced to nearly $2,200,000 in round numbers. Of course the surplus was accumulated for the purpose of making permanent improvements, and its reduction by the amount required

for the port works in the three cities is a reduction in accordance with the plan of the Commission. The revenues, in spite of the conditions, have kept up, although there has been a slight falling off during the first four months of the new fiscal year, as follows: For the first four months of the fiscal year ending June 30, 1903, the amount collected was $3,612,510.88; for the first four months of the year ending June 30, 1904, $3,492,729.88, or a loss of $119,781. This is exclusive of the income from the city of Manila. The tendency to the expensive conveniences and the pressure for increase in salaries in all departments and bureaus renders it most difficult to prevent expenditures from outrunning our income. We are anxious naturally to put as much money into permanent construction as possible. We have as yet, however, no general authority to borrow money to pay for permanent improvements, and the cost falls on the results of taxation. We find it wiser to pay good salaries—salaries in excess of those paid for the same service in the United States—to all who occupy responsible positions. The cost of living is so high in Manila that a salary of $7,000 here hardly goes as far as a salary of $5,000 in any of the smaller cities of the United States. I am convinced that we made a mistake in fixing the salaries for the supreme judges at $7,000, and for that of the chief justice at $7,500. The court is of so much dignity and of so much importance that we might very well have fixed the salaries of the judges at $10,000 a year, and that of the chief justice at $10,500. We are likely to lose by resignation three of the Americans who have constituted the court of seven at the end of their service of three years, and that largely because the salary offers no inducement to hold the place. This is a deplorable condition, because the value of the supreme court depends largely on the experience of its members, and if we are not to obtain the benefit of the learning and experience acquired on the bench in the Spanish civil law by our American judges we lose much.

An examination of the report of the secretary of finance and justice will show that the extraordinary expenses of the current six months provided for in the appropriations, if continued in the same proportions for the remaining six months of the fiscal year ending June 30, 1904, would absorb the surplus and leave a considerable deficit. Part of this extraordinary expense is made up by the purchase of the Oriente Hotel for an office building, at a cost of $675,000 Mexican, the appropriation of $450,000 gold for the St. Louis Exposition purposes, which includes not only the direct appropriation for expenditure by the exposition board of $375,000, but also that of $75,000 to pay the expenses of sending fifty Filipinos of education, culture, and prominence to the United States for purposes already stated. The work is proceeding so rapidly on the port works of Manila that it is probable that another heavy appropriation will have to be made to meet that expenditure. It is quite unlikely that any considerable expenditure for public works and improvements of a permanent character can continue to be made out of the current revenue, and a deficit would be exceedingly embarrassing. Of course, if the Dingley tariff were reduced and an impetus given to business in the islands by the increased production of sugar and tobacco and their sale in the United States, the increase in the revenues would probably keep pace with the increase in the expenditures, but to meet all contingencies it seems to me that a Congressional act authorizing the issuing of bonds for

permanent improvements in the islands, not exceeding $5,000,000, each issue to be approved by the Secretary of War and the President of the United States, would not be conferring upon the Commission or legislature of the islands excessive authority, and that it is really a necessary provision to prevent possible financial embarrassment.

OFFICE OF THE INSULAR PURCHASING AGENT.

The report of the purchasing agent, which is attached hereto as an exhibit, shows the very large amount of business done by him for the purpose of supplying the departments with needed permanent equipment and consumable supplies. His total purchases for the year ending September 30, 1903, were $2,215,275.62, exclusive of rice purchases and carabaos. Of this amount it appears that over 80 per cent has been bought through the merchants of Manila, 14 per cent bought in the United States, and the remainder in other countries. The work needed in taking charge of the shipments when they arrived and in distributing them for shipment to all parts of the Archipelago has been very heavy.

In addition to the supplies thus purchased, under special acts of the Commission, the insular purchasing agent has been charged with the duty of buying and selling rice, of which he purchased to the 1st of October $2,451,168.04 and sold $2,310,633.06, Mexican currency, having on hand at the present time rice amounting to $107.152.84 in value. He was also charged with the business of supervising the completion of the contract with Keylock & Pratt for 10,000 head of carabaos bought in Shanghai, to be delivered at the rate of 500 per month. At this date only 773 have been delivered, and they are being sold as rapidly as they can be permanently immunized against rinderpest by the bureau of government laboratories. The insular purchasing agent is also charged with the duty of maintaining and supervising a transportation department for the city of Manila. New stables are being erected for him on the San Lazaro estate, and when they are completed he will furnish all the transportation for all the insular bureaus, including the bureau of health.

The report shows the handling and shipping of $3,281,000 worth of property and the accounting for $5,021,045 of United States currency. There has been taken from the purchasing agent all obligation to purchase food supplies, which are now bought directly by the commissary department of the constabulary and are furnished for sale at cost price, with 10 per cent added, to all civil employees outside the city of Manila.

PROVINCIAL AND MUNICIPAL GOVERNMENTS.

THE GOVERNMENT OF THE MORO PROVINCE.

Early in the present calendar year the Secretary of War called the attention of the civil governor to the fact that the time seemed now to have arrived when a more definite form of government might be given to the parts of the Archipelago occupied by the Moros. Accordingly, a bill for the government of the Moro Province was drafted. It was submitted to General Davis, then commanding the division, and who was formerly department commander of Mindanao and Jolo, and was thus familiar with Moro conditions. Subsequently the bill as revised

by General Davis was presented to the Commission, and in the Commission it received many additions and changes. It became a law on the 1st of June, 1903, but did not take effect until the 15th of July next ensuing.

The act makes the Moro Province to consist of all the islands of Mindanao and its adjacent islands, except the provinces of Misamis and Surigao, which had theretofore been established as Christian Filipino provinces under the general provincial act. The law takes away from the province of Misamis the town and district of Iligan, in which there are a great number or Moros resident, and also somewhat reduces the boundaries of the province of Surigao. The Moro Province also includes the island of Isabela de Basilan and all the islands to the south of Mindanao in the Archipelago. It embraces within the boundaries, therefore, all the Moros in the Archipelago except a small number of them resident in the south half of the island of Paragua or Palawan and possibly a few who live on the west coast of the province of Misamis, near the towns of Misamis and Oroquieta. The province is divided into five districts—the district of Zamboanga, the district of Lanao, the district of Cotabato, the district of Davao, and the district of Jolo. The executive head of the province is the provincial governor, who has as his assistants the provincial secretary, the provincial attorney, the provincial engineer, the provincial superintendent of schools, and the provincial treasurer. The officers named, with the governor, being six in number, constitute the legislative council for the province, and in case of an even division the proposition having the vote of the governor prevails. For the support of the province there are assigned all the customs receipts from the port of Jolo, the port of Zamboanga, and the new port of Bongao, making about $130,000 gold a year. Internal-revenue taxes are to be collected in towns organized under the municipal code, and such other taxes as the legislative council may see fit to impose. The legislative council is authorized to create municipalities under the municipal code or to modify its terms to suit local conditions. It is authorized to organize a public school system and to vary the character of the schools in different districts as the special and local necessities require. It is authorized:

(*h*) To enact laws for the creation of local governments among the Moros and other non-Christian tribes, conforming as nearly as possible to the lawful customs of such peoples, and vesting in their local or tribe rulers as nearly as possible the same authority over their people as they now exercise, consistent with the act of Congress entitled "An act temporarily to provide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes," and following as nearly as possible in the provisions of these laws any agreements heretofore made by the United States authorities with such local or tribe rulers concerning the powers and privileges which under American sovereignty they are by such agreements to enjoy: *Provided*, That they have not by their conduct and the breach of the agreements forfeited such powers and privileges.

(*i*) To enact laws investing the district governors in their respective districts, or other provincial or district officers with the power of adjusting, under the supervision of the provincial governor, all differences between sultans, dattos, and any independent local authorities, and of enforcing their decisions upon such differences.

(*j*) To enact laws which shall collect and codify the customary laws of the Moros as they now obtain and are enforced in the various parts of the Moro Province among the Moros, modifying such laws as the legislative council think best and amending them as they may be inconsistent with the provisions of the act of Congress entitled "An act temporarily to provide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes," and to provide for the printing of such codification, when completed, in English, Arabic, or

the local Moro dialects as may be deemed wise. The Moro customary laws thus amended and codified shall apply in all civil and criminal actions arising between Moros. In all civil and criminal actions arising between members of the same non-Christian tribe other than Moros, unless otherwise provided by the legislative council, the customary laws of such non-Christian tribe, if consistent with the act of Congress above mentioned, and if defined and well understood, shall govern the decision of the cause arising, but if there be no well-defined customary laws, or they are in conflict with such act of Congress, then the cases shall be determined by the criminal or civil code according to the laws of the Philippine Islands until the legislative council shall make other provision. In actions, civil or criminal, arising between a Moro and a member of a non-Christian tribe, or between a Moro and a Christian Filipino, or an American or a subject or citizen of a foreign country, the criminal code and the substantive civil law of the Philippine Islands shall apply and be enforced.

(*k*) To enact laws for the organization and procedure of district courts to consider and decide civil and criminal actions arising between Moros, between members of non-Christian tribes, and between Moros and members of other non-Christian tribes. The district court shall be presided over by the secretary of the district, and the other members of the court shall be appointed by the district governor and shall vary with the race or tribe of the litigants, so that where the action arises between Moros, there shall be at least two and not more than four Moros upon the court; when it arises between members of other non-Christian tribes there may be, if practicable, upon the court members from such non-Christian tribes, and when the litigation arises between Moros and members of other non-Christian tribes there shall be at least one Moro member of the court and at least one member from the tribe of the pagan litigant: *Provided, however,* That judgments of said courts shall not be given effect unless approved by the governor of the district in which the court is held: *And provided further,* That in case of sentence of death or imprisonment for a longer period of time than ten years, such sentence shall not be executed unless approved by the provincial governor. But the legislative council may, when it thinks proper, provide by law that civil and criminal actions arising between a Moro and a member of another non-Christian tribe shall be tried in the court of first instance or in the court of a convenient justice of the peace, according to the nature of the action and the proper and usual jurisdiction of the court of first instance or the justice of the peace. The legislative council shall prescribe a simple procedure for the district courts and require a written record of its proceedings.

(*l*) To enact laws for the abolition of slavery and the suppression of all slave hunting and slave trade.

(*m*) To regulate by statute the use, registration, and licensing of boats of Moro or pagan construction of less than 10 tons measurement, which shall be followed by collectors of customs in the Moro Province, the provisions of the customs administrative act and regulations of the insular collector of customs to the contrary notwithstanding.

It will be seen that the Commission has granted to the legislative council a very large measure of discretion in dealing with the Moros and in preserving as far as possible, consistent with the fundamental act, the customs of the Moros, the authority of the dattos, and a system of justice in which Moros should take part.

One of the serious causes of friction in the Moro land has been the application of coastwise trade regulations to small Moro craft. This is now sought to be avoided by allowing the legislative council to make proper regulations for all Moro craft under 10 tons.

The law provides for the appointment by the provincial governor, subject to the approval by the legislative council, of governors, treasurers, and other officers of the five different districts of the province. The education of the Moro Province presents such a different problem from that of the Christian Filipinos that it was deemed unwise to provide for any but a formal relation between the school system of the Moro Province and that which prevails in the rest of the archipelago, and the Moro Province is left to pay its own school expenses and to arrange such a system as shall meet and overcome the peculiar obstacles that now have to be met and overcome in the education of Moro

children. The constabulary system has been extended into the Moro Province as an immediate branch of the constabulary system of the islands. It is thought that it will be entirely possible to enlist Moros and make successful and efficient military police of them under American officers; and the expense of the constabulary will be met out of the insular treasury.

By section 27 it is provided that—

> Courts of first instance and justices of the peace in the Moro Province shall not have jurisdiction to try civil or criminal actions arising between Moros or arising between non-Christians, or, except as otherwise provided by the legislative council, actions arising between Moros and other non-Christians, and the existing laws of the Philippine Islands are hereby amended accordingly: *Provided, however,* That in accordance with paragraph (*k*) of section thirteen of this act, the legislative council may by law vest jurisdiction to try cases between Moros and other non-Christians in such courts: *And provided further,* That the court of first instance shall have jurisdiction in all habeas corpus cases, no matter between whom arising, to take cognizance of the petition for the release of any person within its territorial jurisdiction, to issue process, to hear the evidence, and to discharge the prisoner or to remand him to custody in accordance with the provisions of the chapter on habeas corpus in the code of civil procedure.

This second proviso was adopted to enable the court of first instance to render its aid whenever called upon to free persons from slavery and thus to furnish a means of carrying out the inhibition against slavery contained in the so-called Philippine act of Congress, reenacted in paragraph (*l*) of section 14 above quoted.

All laws passed by the legislative council take effect at the time fixed by the legislative council, subject to amendment or annulment by the Commission. Provision is made in the act for the appointment of military officers to fill the civil positions by the act created and for the payment to them of an amount equal to 20 per cent of their salaries as military officers in lieu of their allowances for quarters, forage, and other things.

The first governor of the province appointed is Major-General Leonard Wood, the military commander of the department of Mindanao and Jolo. This union of the civil and the military power in one head seems to be admirably adapted to successful administration in the Moro Province, although it would be of very doubtful efficacy in the whole of the Philippine Islands. The Moro is himself a soldier and recognizes with reluctance any other authority than that which is clothed with immediate control of military forces. The appointments of the other executive officers of the provinces were made at the same time and the legislative council began its work. I inclose herewith the copies of its acts passed down to the time of rendering this report and submitted to the Commission and approved by it, as Exhibit S.

The present conditions in the Moro Province are not as satisfactory as they might be. The campaigns of General Baldwin and Captain Pershing in and about the Lake Lanao district have resulted in subduing the wild Moros of that district so that there is no organized armed resistance to the sovereignty of the United States. The predatory habits of the Moro remain, however, and from time to time reports come of the robbery or killing of American soldiers by marauding bands of Moros whose identity it is difficult to establish. Still the questions presented are not of real difficulty and involve only patience and firmness in their solution. The Lake Lanao country is a beautiful country, and the Moros who inhabit it seem to be fairly good agriculturists. The Moros of Zamboanga and of the valley of the Rio Grande del Mindanao are

pacified and make no trouble in accepting the régime under the new Moro law. In Jolo, however, we have a condition that needs thorough and drastic treatment. The Bates treaty may have been very useful in staying the hand of the Moros and reducing the necessity for the use of United States troops in the Sulu Archipelago at a time when they were needed badly in other parts of the Philippines, but the power and immunity recognized in that treaty as belonging to the Sultan of Jolo have not resulted in good government for the Moros themselves, but have brought about a condition of chaos and petty wars, of murder and rapine, and intriguing conspiracies of one datto against another and of dattos against the Sultan which the good of everybody requires us to put an end to. It is a condition precedent to the continuance upon the United States of the binding effect of the Bates treaty that the Sultan and the signing dattos should be powers capable of subduing lawlessness within their respective jurisdictions. Either the power or the will has been lacking, and the necessity arises for teaching them severe lessons of obedience to the government and the sense of obligation to maintain law and order between local dattos. The establishment of courts partly native will doubtless assist materially in settling many questions that now have to be settled by the sword. The problem in dealing with the Moros is not very different from that which Sir Stamford Raffles and Sir Frank Swettenham have had to solve in dealing with the Malays in the Malay Peninsula. To-day the Malay in the Straits Settlements is most peaceable and law-abiding. The time was in that peninsula when every Malay went armed. To-day every Moro is armed with his kris, and if he has a gun, with a gun. Ultimately the government must compel the Moros to give up their arms and to trust to the peace authorities to preserve their rights. A judicious preservation of the authority of local dattos, and making them responsible for the preservation of order among their people, will doubtless work well here, but their absolute subordination to the sovereignty of the United States, which was not made as clear by the Bates treaty when translated into their language as it might have been, is a sine qua non to the maintenance of good government. The Moro does not understand popular government and does not desire it, and he is not likely to desire it until he is changed by education and the introduction of civilized life in his neighborhood.

The Sultan of Jolo and the dattos under him, with whom General Bates entered into an agreement, have not complied with the terms of that agreement in maintaining order among those who acknowledge in a perfunctory way allegiance to them. They have not punished wrong-doers and their whole system of government seems to be one solely for the exaction of taxes. The Sultan of Jolo is a gambler and an intriguer, with not a spark of courage or patriotic and paternal interest in his people. So far as the Bates agreement could be regarded as a contract of the Executive of the United States Government, it has long ceased to be of binding force, because the Sultan long ago forfeited all his rights under it by his violation of the rights he assumed. When General Wood was appointed governor of the Moro Province, with the knowledge which both of us had of the necessity for the abrogation of the Bates treaty and the gross violation of his obligations under it by the Sultan, we agreed that it would be well for him to accumulate the data showing in how many instances the Sultan had failed when called upon by the United States authorities to preserve order among

his people, with a view to formal action in notifying him of the abrogation of the treaty. I append the report of General Wood as Exhibit T upon this phase of the Moro question, and concur fully in his recommendation that for the causes shown by him in the exhibits which accompany his report that the Sultan and the signing dattos be advised of the abrogation of the Bates treaty and that the same is no longer binding on the United States or the insular government and will not be respected.

Among the laws which the legislative council of the Moro Province has enacted will be found one denouncing kidnapping of persons with a view to making them slaves, and the detention of persons in slavery. General Wood has examined the question, as have other members of the legislative council, and has reached the conclusion that the announcement of the policy of the United States upon this question may as well be radical in the beginning. General Wood advises me orally that the proclamation of the passage of the act in the river valley above Cotabato has been received with acquiescence by the dattos. It will probably give more trouble in Jolo. The fact is, however, that the military question in dealing with the Moros is a simple one, and is not at all as difficult as that which confronted the army in the Christian Filipino provinces. The Moros do not fight a guerilla warfare. They retreat to their forts and bid defiance to the foe, and thus expose themselves to an attack by modern artillery and other modern methods of overcoming insufficient fortifications. They are easily whipped, and though the whipping may have to be repeated once or twice, its effect ultimately is very salutary. Force seems to be the only method of reaching them in the first instance, and is the only preparation for the beginning of civilized restraints among them. It is probable that the government is itself subject to criticism for delay in giving to the Moro region something definite in the form of a government, but the vim and interest with which the government of the Moro Province has been launched give every assurance of a satisfactory result. A continuance of the conditions which the exhibits submitted by General Wood, and hereto appended, show to exist in Jolo, Siassi, and other islands of the Sulu Archipelago would certainly be a disgrace to the United States Government and to the insular government which is made responsible by the Philippine act for the maintenance of law and order among the people. It is thought that another year will bring an improvement in conditions so great that even the Moros themselves will understand the advantage of it.

THE CHRISTIAN FILIPINO PROVINCES.

A severe agricultural depression in the provinces, together with the interference with tax collections by the cholera, has caused a number of the provinces to run behind in the matter of their income, and has required the insular government to lend money to them. The amount of money loaned is shown in the following list:

List of loans to provinces during the period September 1, 1902, to October 31, 1903.

Province.	Philippine currency.	Mexican currency.
Abra		₱12,550.00
Albay	₱25,000.00	
Antique		12,250.00
Batangas	2,000.00	62,250.00
Capiz	15,000.00	
Cavite		50,000.00
Mindoro		6,500.00
Misamis	5,000.00	
Nueva Ecija	15,000.00	15,300.00
Paragua		13,350.00
Rizal		2,600.00
Samar		31,000.00
Union		15,960.00
Total	62,000.00	221,760.00
Appropriated moneys undrawn October 31, 1903:		
For loan to—		
Occidental Negros	2,000.00	
Zambales	5,000.00	
Iloilo		50,000.00

List of repayments by provinces during the period September 1, 1902, to October 31, 1903, of loans made by the insular government during that period and prior thereto.

Province.	United States currency.	Mexican currency.
Albay	$2,500.00	
Bohol	2,500.00	
Batangas	2,500.00	
Bulacan	5,000.00	
Ilocos Norte		₱6,500.00
Ilocos Sur	2,500.00	
Marinduque		6,500.00
Misamis	2,500.00	
Nueva Ecija		7,050.00
Pampanga	2,500.00	
Sorsogon	2,500.00	
Total	22,500.00	20,050.00

In a number of the provinces it has been deemed wise to cut down the cost of officers by consolidating the offices of treasurer and supervisor, usually filled by Americans, into the office of treasurer-supervisor. This was possible in provinces where there is very little money for improvements, because in such provinces the supervisors of roads and improvements have few duties to perform. The supervisors who were released from office were provided for in the office of the consulting engineer to the Commission, who was greatly in need of engineers for the purpose of carrying on insular road construction, in which the Commission is now engaged.

MUNICIPALITIES.

In the spring the Commission passed a resolution adopting the policy of a reduction of the number of municipalities in each province. The municipalities also had run behind in their incomes without reducing their expenditures, and it became perfectly evident that many of them were not able to maintain decent government with the tax-producing capacity which they had shown. The Filipino members of the Commission during the last six months have visited all the Christian provinces, and, after a conference with the provincial boards and with the

municipal presidentes called in convention, have made report to the Commission in favor of a union of municipalities and a reduction in number. The Commission adopted their report and enacted the necessary laws. The reduction is shown in the following table:

Province.	Municipalities.		Province.	Municipalities.	
	Former number.	Present number.		Former number.	Present number.
Abra	12	12	Leyte	51	34
Albay	27	27	Masbate	17	13
Ambos Camarines	43	35	Misamis	24	10
Antique	21	11	Negros Occidental	34	21
Bataan	12	8	Negros Oriental	24	14
Batangas	22	15	Nueva Ecija	23	15
Bohol	35	32	Pampanga	23	16
Bulacan	25	13	Pangasinan	37	25
Cagayan	33	22	Rizal	32	16
Capiz	34	22	Romblon	11	6
Cavite	23	11	Samar	43	25
Cebu	57	41	Sorsogon	15	16
Ilocos Norte	15	10	Surigao	34	29
Ilocos Sur	24	14	Tarlac	17	9
Iloilo	51	17	Tayabas	31	27
Isabela	15	11	Zambales	25	15
La Laguna	30	19			
La Union	15	12	Total	1,035	623

The above list shows a total reduction of 412 municipalities. The provinces of Benguet, Lepanto-Bontoc, Mindoro, Moro, Nueva Vizcaya and Paragua are not included above, as they have special organization, independent and apart from the municipal code.

In doing this work the Commission has had to run counter to local prejudice. It is hard to convince municipal officials enjoying office that the public good requires any measure which will in effect prevent their continuing to hold office, and there is much local pride likely to be hurt. It is confidently expected, however, that the fusion of the municipalities thus effected will very greatly increase the efficiency of the municipal governments by reducing expenses and furnishing a much larger revenue in each town. The work has been very well done by the Filipino members and the Commission is greatly indebted to them for the time and trouble spent in solving a difficult problem. Municipal treasurers now selected by the council have not proven to be efficient officers. By law the council of a municipality is obliged to devote a certain part of the income of the town to schools, but in too many instances it has developed that, in the anxiety to secure his own salary, the presidente has induced the council and the municipal treasurer to appropriate from what are properly school funds to pay the salaries of municipal officials. The office of municipal treasurer has therefore been classified as part of the classified line service and provision made for appointment to it by the provincial board. The municipal treasurer will also act as deputy provincial treasurer. Thus a large body of persons will be led to prepare themselves for civil service examinations for the office of municipal treasurer. Their experience will fit them for promotion to the office of provincial treasurer, which will hereafter be filled largely from such material. The difficulty about using Filipinos for provincial treasurers heretofore has been that the duties of the office are so difficult that Filipinos, with a knowledge of Spanish only, and without any familiarty with the auditing methods of the auditor's bureau and its requirements, are

unable to perform them. This change can not but strengthen municipal governments and at the same time bring into use for higher office trained Filipino material.

The truth is that the municipal governments have not been as satisfactory in their operations as could be wished. By the misuse of the school fund already referred to, the native school-teachers have been compelled to go without their salaries. The municipal police have also gone unpaid and in many instances had not been made efficient because they were used as the personal servants of the municipal presidentes. It is hoped that the increase of the resources of the towns by the fusion of municipalities may accomplish some reform in these matters and the coming of better times in agricultural and business way may also assist. In order to make the municipal police a more efficient body, a law was passed by the Commission, No. 781, the first and second sections of which are as follows:

SECTION 1. The civil governor, or the provincial governor with the approval of the civil governor, is hereby authorized, whenever in his judgment the public interest will be subserved thereby, to place the municipal police of the respective municipalities of any province under the control of the senior inspector of constabulary on duty in the province at the time. The senior inspector in such case is hereby authorized and empowered, under the general supervision of the provincial governor, to control and direct the movements of the municipal police, and, with the approval of the provincial governor, to discharge any member of the police force and substitute a fit and suitable resident of the municipality in his place. It shall be the duty of the senior inspector when thus placed in charge of the municipal police of a province to see that they are properly uniformed, drilled and disciplined. When thus vested with authority over the municipal police he shall see that all lawful orders of the provincial governor, municipal president, and others in authority are executed as provided by the municipal code, and amendments thereof, and shall further see that all proper arrests are made for violations of law of municipal ordinances, and in case of emergencies is authorized, under the general supervision of the provincial governor, to unite the forces of the various municipalities of the province in suppressing ladronism or brigandage or other grave violations of the law which threaten the peace of the entire community; and he may also unite the constabulary forces under his command with the municipal forces in the execution of his authority for this purpose.

SEC. 2. It is hereby made the duty of the provincial board of each and every province to prescribe a suitable uniform for the municipal police of each and every municipality, with a proper insignia to indicate the municipality to which the police belong. Authority is also hereby given the provincial board of each province to fix the number of police which is required to be maintained by each and every municipality of the province. In the event that the provincial board shall find that any municipality is unable properly to uniform and maintain the number of policemen fixed by the provincial board, the latter is authorized to vote necessary aid for the maintenance of such police out of provincial funds. In the event the provincial board should not have provincial funds adequate for this purpose it may apply to the Commission for aid in this behalf.

This system had been adoped in the province of La Union before the passage of the law and had worked well, and it was the success in Union that suggested the passage of a general law on the subject. It has not been adopted in many provinces, but where adopted it has accomplished good results.

Outside of the city of Manila, the two great commercial centers of the islands are Iloilo and Cebu. Under the Spanish régime the town of Iloilo did not have more than 10,000 inhabitants, and the town of Cebu did not exceed in population 15,000. There were, however, in the immediate neighborhood of the towns, which were really part of the commercial centers, three or four towns which ought to have been included for purposes of economy in government. By the acts already

referred to, Iloilo has had annexed to it the towns of Molo, Jaro, La Paz, and another, which will now make a city of from forty to fifty thousand. The same thing is true of the town of Cebu, which, being united with San Nicolas, a town separated by a small creek from Cebu, and containing 15,000 inhabitants, and other towns in the neighborhood, will also have a population of about 50,000. It will probably be necessary to provide special charters for these two cities, because the municipal code is adapted rather to country municipalities than to cities of a metropolitan size. The improvements in both cities which are badly needed are a water supply and a sewer system. It is quite probable that the power to issue bonds already given in the Philippine act for municipalities would be sufficient if the restriction contained in the act requiring the consent of Congress were removed. It is not understood why it was thought necessary to insert a provision of law requiring the consent of Congress to the issuing of bonds. Certainly with the consent of Congress, without such a provision, bonds might be issued, and it is thought that the requirement of Congressional consent was an error in the drafting of the Congressional legislation. In any event, it is exceedingly awkward and unduly limiting the power of the Commission, to require that where within the narrow limitations contained in the law, the Commission desires to issue bonds for a small amount to aid municipalities, it should be required to apply to Congress for its consent. It is respectfully recommended to the Commission that Congress be urged to repeal the particular provision of the Philippine act requiring the specific consent of Congress to the issue of bonds for the benefit of any municipality in the Archipelago, where such issue shall not exceed the percentage of taxable value now imposed as a limit by the law.

JUSTICES OF THE PEACE.

The secretary of finance and justice will comment upon the general subject of the administration of justice in these islands. It is enough for me to say, that so far as the courts of first instance and the other superior courts are concerned, it is very satisfactory, and is doing much to tranquilize the islands, and teach the people what real justice is. Indeed, it is not too much to say that crime in the islands is punished with more speed and certainty than in many parts of the United States.

With respect to the justices of the peace, however, this is not true, and some new system must be devised. The justice of the peace and an auxiliary justice are now appointed for every town. They do not receive salaries, and are dependent for compensation upon fees. It is difficult to secure good men. The amount of business of any one town is ordinarily so little that the office is not lucrative at all unless it is made the center of petty litigation by local pettifoggers, or, as the Spanish term is, "picapleitos," and in that case the office is an unmixed evil. For this reason the Commission will doubtless feel called upon to change the system within the coming year. There are several remedies recommended, but in my judgment the best one is that of dividing the province into comparatively large districts, and appointing a justice of the peace for each district with a living salary. This will dignify the office, will secure the best man in the district, and will give a much better character to the administration of justice in what ought to be the people's court.

THE CITY OF MANILA.

The report of the city of Manila is a very interesting one, and shows the progress which has been made in the material welfare of the city. The two great improvements which are needed are the addition to the water supply and the construction of sewers. Plans and specifications have been prepared for the water supply, which, if the plans are carried out, will be brought by gravity directly from a dam constructed between two marble cliffs, shutting off and securing enough water to remove all danger of a scarcity of water during the dry season. The plans for a sewerage system are being rapidly prepared, and it is expected that they will be ready for submission by the first of January. The Commission has engaged the services of an expert engineer of high repute, Mr. Desmond Fitzgerald, of Brookline, Mass., who will visit the islands in January and preside over a board of engineers which will consider the feasibility of the plans for the increase in the water supply and the construction of sewers. The change in the source of the water supply will remove great danger of contagion from cholera and other epidemic diseases. So far as we are able to obtain estimates from the engineers making the plans, it would seem that the cost of construction of the sewers and the new water plant will fall within the four millions allowed by law.

It ought to be urged upon Congress, in my judgment, that the bonds issued for the improvement of Manila should be as exempt from taxation as the bonds to be issued for the purchase of the friars' land. They are only exempt from Federal taxation in the United States and taxation in the Philippine Islands. The friars' lands bonds are made exempt from State, county, and municipal taxation in the United States, which enables us to sell bonds of that sort at a very much lower rate of interest. It is thought that it will injure no one if the city bonds of Manila are given as wide exemption.

Manila has increased in houses during the last year, as will be seen from the following table:

Building operations in the city of Manila, P. I., during the fiscal year ending June 30, 1903.

Month and year.	Applications made.	Permits paid.	Issued gratis.	Receipts.	
				United States currency.	Mexican currency.
1902.					
July	257	207	22	$427.30	.....
August	257	196	15	343.90	.....
September	320	314	9	546.39	$69.00
October	331	269	29	413.31	10.00
November	360	304	22	708.38	.....
December	348	324	15	600.07	.....
1903.					
January	426	362	.....	203.59	1,644.89
February	451	374	.....	160.92	1,301.63
March	554	487	.....	251.86	1,286.08
April	469	450	.....	325.81	1,327.40
May	801	523	116	201.36	1,320.80
June	1,119	669	367	279.56	1,277.25
Total	5,693	4,479	595	4,480.45	8,237.05

Building operations in the city of Manila, P. I., during the fiscal year ending June 30, 1903—Continued.

Month and year.	Strong materials.				Light materials.			
	New buildings.		Repairs.		New buildings.		Repairs.	
	Number.	Value.	Number.	Value.	Number.	Value.	Number.	Value.
1902.								
July	49	$154,870	40	$10,955	80	$7,060	53	$1,730
August	40	128,205	48	24,915	76	6,355	37	750
September	39	128,785	38	25,432	102	10,220	42	695
October	48	135,236	50	12,586	166	13,705	22	925
November	116	269,210	29	10,340	120	10,789	45	2,190
December	123	97,015	25	6,390	122	11,014	40	1,775
1903.								
January	100	246,025	44	23,995	172	15,140	32	1,545
February	67	150,240	38	5,280	180	14,116	43	1,855
March	72	122,535	42	5,965	273	25,243	71	2,442
April	66	85,360	51	12,020	227	18,408	81	2,790
May	80	147,410	48	15,310	306	22,905	103	4,285
June	73	145,180	46	20,950	418	34,625	132	5,130
Total	873	1,946,871	519	171,741	2,242	189,580	702	26,322

During the year about 150 buildings were condemned and ordered removed.

Much has been done in the way of repairs to streets, widening streets, and giving the city a modern cleaning every day. Of course the absence of the sewerage system entails very heavy expense in the introduction of the pail system, and there is an immense amount of work to be done before it can be called a really modern city. I venture to say, however, that there is no city better policed than Manila. It is singularly free from crimes of violence, and one feels quite secure at any time of day or night in any part of the city.

The falling off of the population of the city of Manila between 1900 and 1903 from 260,000 to 221,000, as shown by two censuses, is not inexplicable. In 1900 there was much disturbance through the country, and the insurrection had not ceased in many parts. The effect of the insurrection upon those who were wealthy or who had money enough to come into Manila was very marked, and they fled to Manila as a place of refuge. As soon, however, as conditions became more tranquil they went to the country, so that the reduction in the population of Manila is a significant evidence of the tranquillity of the provinces. The introduction and maintenance of a modern fire system and a metropolitan and native police force, and of an effective street-cleaning gang are all shown in the report of the city, hereto appended and marked Exhibit U. There is considerable doubt as to what ought to be done about taking down the walls of the walled city of Manila, and how the open spaces in the city ought to be improved. Major-General Davis, commanding the Division of the Philippines, wrote a long application to the Secretary of War, in which he asked for the reservation by the President for military purposes of a great many pieces of land in the city. This application has been vigorously resisted and attacked by the advisory board of Manila, by the municipal board, and by mass meetings of prominent citizens. The Commission has passed a resolution, inviting the Secretary of War to make a contract with a landscape architect of eminence in the United States, empowering him to visit Manila and make a sketch of the improvements needed

with a view to art and utility, and until this report is made it is hoped that the President will make no permanent reservation for military purposes. There are in the city itself and in the environs of the city great opportunities for beautifying the landscape, and it is hoped that we may be able in time to make the city of Manila the handsomest city in the Orient. Improvements are expensive, however, and must be accordingly slow. Manila is interlaced with what are called esteros, small creeks or arms of the sea that are useful for navigation and that are now made the vehicle for much of the deleterious sewage of the town. The rise and fall of the tide assists in carrying off the sewage, but the fall of the tide exposes the mud and filth of the bottom to the sun in such a way as probably to produce illness. The ultimate hope of the introduction of the sewerage system into the city is that the esteros not useful for navigation may be filled, and that those which are useful for navigation may be, as the term is, canalized - that is, dredged out and have their banks walled so that the coming and going of the tides shall only cleanse the water without exposing the filthy bottom. A comprehensive sewer system would take much away from the esteros and would leave them to discharge only the useful function of cheap interurban transportation.

I am glad to call attention to the fact that since our last report on March 3, the bids for a franchise for an electric street railway were opened; and that Mr. Charles Swift, of Detroit, Mich., and his associates made a bid which the Commission and the municipal board thought it wise to accept, for the construction of a first-class, standard-grade electric street-car line, which will gridiron the city and furnish the much-needed cheap transportation from the absence of which Manila has always suffered. A copy of the charter which was granted under a law of the Commission and by a vote of the municipal board is hereto appended and marked Exhibit V. The term of the charter is fifty years. The restrictions in it are those which usually obtain in charters of modern street railways in the United States. The company has the right to run two classes of cars, first and second class, the terms of the charter covering rate of fares being as follows:

The fare charged by the grantee shall not exceed six cents in money of the United States on a first-class car, or five cents in money of the United States on a second-class car, for one continuous ride from one point to another on the railway system of the grantee within the city limits as now or hereafter established, whether it be necessary to transfer the passenger from one car or line of the grantee to another during said ride or not: *Provided always*, That where a change of cars is necessary there shall be established by the grantee a method of transfers not unreasonably burdensome in its restrictions to the transferred passengers; and in case of a failure to comply with the foregoing requirement as to transfers it may be enforced upon application of the municipal board by mandamus to the proper court of first instance or the supreme court: *And provided further*, That on lines running outside of the city limits an additional fare or fares may be charged at the rate of five cents in money of the United States on first-class cars, or three cents in money of the United States on second-class cars, for each two miles or fraction thereof beyond the then city limits: *And provided further*, That the grantee shall for four years from the date hereof accept local currency in lieu of money of the United States in payment for any ride or fare at the ratio of two cents local currency for one cent in money of the United States, until such time as there shall be established for these islands a gold-standard coinage and money thereunder shall be made legal tender, after which time the fares to be charged shall be the equivalent of those stated above in money of the United States: *And provided further*, That pending the adoption of the gold standard, if the official ratio existing between the money of the United States and local currency shall exceed two dollars and forty cents of local currency for one dollar of money of the United States, then

and in that case the grantee may require from the passengers the payment for fares of sufficient local currency to be the equivalent of the fares above fixed in money of the United States at the official ratio: *And provided further*, That at any time after twenty-five years from the date hereof, upon due notice from the city of Manila to the grantee, the fares charged by the grantee may be readjusted on a reasonable basis by three arbitrators, one to be chosen by the city, one by the grantee, and the third to be selected by the two so chosen if they can agree, but if not, then to be selected by the chief executive of the islands. The award of the majority of such arbitrators shall be final.

There is also a provision for sale of 20 first-class tickets for a dollar and of six second-class tickets for 25 cents.

The contract required that construction should be begun in six months, and a formal breaking of ground was made in September. The material for the construction has been distributed all over the city, and the real work of construction has begun this month, it having been delayed because of the rainy season and a fear that the continued fall of rain would only subject the people of the city to the inconvenience of obstructed streets without real progress. The municipal board assures the Commission that the street cars will be running about Thanksgiving Day of next year. Such good interurban transportation as this will afford will reduce the cost of living in Manila certainly 25 per cent for all persons enjoying salaries of less than $2,500, for it is almost impossible now to live in Manila without maintaining some sort of a conveyance. It is hoped that the company will deem it wise to reduce below the bid the fare to be charged second class, for it is quite certain that a reduction will vastly increase the patronage. The oriental people are very fond of riding in rapidly moving cars.

THE PORT WORKS.

The port works of Manila are progressing with all convenient speed, as shown by the report of the officer in charge, hereto attached and marked Exhibit W. The dredging of the 30-foot harbor by a monster hydraulic dredge and the filling in of 168 acres in front of the city running out into the bay goes on rapidly. The dredge delivers 25,000 cubic yards a day and works with great regularity. The breakwater which is to protect the harbor from the southwest monsoon has been filled in to a depth of 30 feet, so that it is visible at high water. There will be no finer harbor in the Orient than Manila will have when this great work is accomplished. Two millions of dollars have already been appropriated and it will probably cost two millions more, perhaps three millions, before everything connected with the port is completed, including wharves and suitable warehouses. However, the government will have 160 acres of most valuable warehouse property which it may sell and which will go far toward recouping itself for the expense. The tonnage of the shipping coming into this harbor has increased so much that the wisdom of the engineers and of the Commission in enlarging the harbor beyond the projected lines of the Spanish engineers and Government has already been vindicated. Little or no progress has been made with respect to the Cebu and Iloilo harbor improvements, because no one has been willing to contract for the work. The Atlantic, Gulf and Pacific Company, engaged in the Manila improvement, is not yet able to take up another work and there is no one else, apparently, who has plant enough in the vicinity to make

the undertaking of such contracts for dredging profitable. It is quite probable that the government will have to undertake the contracts by its own engineers and workmen.

EXECUTIVE BUREAU.

The work which has been done by the executive bureau, which has not inaptly been called a clearing house for all the bureaus of the government, fairly gauges the size and importance of the government work which has been done in the Philippines. The report of Mr. Fergusson, the executive secretary, who is the efficient head of the executive bureau, which is annexed hereto and marked Exhibit X, shows clearly the earnest work done by government clerks and completely refutes the suggestion that their places are sinecures. Their fidelity and earnestness are largely due to the consciousness that steady application will bring promotion, and no fear or favor will be shown in giving it. I invite especial attention to the report of the recorder of the Commission, which is appended to the report of the executive secretary, and which probably gives a better idea of the labors of the Commission than any more general statement could. It is not too much to say that the executive bureau is organized with the utmost efficiency and dispatches an immense amount of work. I am glad to say that the number of Filipinos employed during the present year in the bureau has increased 150 per cent over previous years, and that the Filipinos are displaying an adaptability and capacity for work which justifies the prophecy that in ten years the expense of carrying on the government will be largely decreased by the fact that Filipinos can be had to do the work as well as Americans in many positions, and at very considerably less salaries, because the supply of such clerks will be far greater than of American clerks, and because in their own country they are able to live on much less. I append as Exhibit Y the executive orders and proclamations from October 1, 1902, to September 30, 1903.

Respectfully submitted.

WM. H. TAFT, *Civil Governor.*

The PHILIPPINE COMMISSION,
Manila, P. I.

REPORT

OF

THE ATTORNEY-GENERAL.

DEPARTMENT OF JUSTICE,
Washington, D. C., December 5, 1903.

To the Senate and House of Representatives of the United States of America in Congress assembled:

I have the honor to submit the following report of business transacted by the Department of Justice for the last preceding fiscal year, and of other matters appertaining thereto, as required by law:

NEW DEPARTMENT BUILDING.

During the first session of the Fifty-seventh Congress a bill was introduced in the Senate on January 7, 1902 (S. 2462), "to provide for the purchase of a site and the erection thereon of a public building to be used for a Department of State and a Department of Justice," which was reported back from the Committee on Public Buildings and Grounds, with an amendment, April 12, 1902, but no farther action was taken upon it. By "An act to increase the limit of cost of certain public buildings," etc., approved June 6, 1902, section 23, the act approved March 3, 1899, to provide for the erection of a building for the Department of Justice was repealed and the Attorney-General directed to cover into the Treasury of the United States the balance of the appropriation carried in that act and unexpended.

The Department has been occupying rented quarters since 1899, when its building on Pennsylvania avenue was condemned and torn down.

During the past year it became necessary to rent an additional building, and the Department now has its official force distributed in seven buildings, including the quarters occupied by the Spanish Treaty Claims Commission and the space in the Court of Claims building occupied by the library. The total rental now paid by the Department is $25,200 per annum.

The library of the Department is several squares distant from the main offices. Much inconvenience and annoyance are experienced

owing to the lack of room and facilities for proper arrangement of the various offices.

The buildings are not fireproof. There is not a vault in any of the buildings occupied by the Department, and all office records, documents, papers, and books are exposed to the ravages of a fire. Under the supervision of the chief engineer of the fire department additional appliances for extinguishing fire have been installed, and all possible precautions are being taken to protect the buildings and their contents.

NATURALIZATION FRAUDS.

The subject of naturalization has recently been called to widespread public attention by reason of the scandals and frauds which have been revealed all over the country.

The President has dealt with the matter in his Annual Message to the Congress about to assemble. It is not necessary, therefore, to refer at length to the subject here. The prosecutions which have resulted in current investigations have been and will be vigorously pressed. But I desire to emphasize the pressing and grave need for reforms in the field of naturalization, for amendment and extension of the existing laws, for more complete safeguarding of the admission to citizenship, and for more stringent remedies against violations of the law, and I therefore bespeak the earnest consideration by Congress of the subject and such prompt action thereon as in the wisdom of Congress may be deemed advisable.

Every honest citizen is deeply concerned in repelling and preventing dishonest claims to that high right.

I therefore recommend for the consideration of Congress the enactment of a law which will provide for the following results:

1. The omission from the statutes as they now stand of the question of intent and guilty knowledge where an offender has in his possession a fraudulent certificate of naturalization unlawfully obtained in any manner whatever, or where a fraudulent certificate so held and obtained is used for any purpose whatever. Such a change would permit prosecutions for the possession of a fraudulent certificate unlawfully obtained, or for the use of a fraudulent certificate irrespective of the intent of the oath of the applicant and witness on the certificate, which is to be regarded as presenting merely a question of fact.

2. That the law be amended so as to compel an alien at the time of applying for citizenship to present from the appropriate immigration authorities a certificate showing his age and the date of his arrival, and containing also his physical description similar to that in a passport. This certificate should form a part of the court records, like his application for citizenship.

3. The petition and application and all certificates should be uniform throughout the United States, and the final certificate of citizenship

issued by any court throughout the country should contain a physical description of the applicant and holder on the back thereof, for the purpose of identification and to avoid substitution.

4. The certificates should be printed in Washington under Government direction, containing a watermark similar to United States obligations, and the unlawful possession of or counterfeiting of such certificates should be made an offense against the United States. The blank certificates should be distributed to the various courts on requisition, and each one should be properly numbered and recorded.

5. The power of issuing certificates of naturalization should be withdrawn by Congress from the various State courts and should be restricted to United States courts.

6. All administrative matters relating to naturalization should be committed to one central Government bureau.

7. It should be made a crime against the United States to sell or transfer declarations of intention, and it should be provided that after sufficient proof has been submitted to a court establishing the fact that a certificate is fraudulent in any respect said certificate shall be canceled of record.

The Federal grand jury lately in session in New York City dealt with this subject and made a presentment, which states the situation briefly and forcibly and contains an important suggestion for the consideration of Congress. I submit the presentment as Exhibit 29 of this report. I also submit as Exhibit 30 the report of the special examiner on the subject.

EXTENSION OF APPROPRIATION FOR ENFORCING THE ANTITRUST LAW.

By the appropriation act of February 25, 1903 (32 Stat., 854, 903), Congress appropriated the sum of $500,000 to be expended under the direction of the Attorney-General in the employment of special counsel and agents in the Department of Justice to conduct proceedings and prosecutions under the various trust and interstate commerce laws.

It has now become highly important that this appropriation should be made available for the enforcement of the laws of the United States generally, and especially those relating to public lands, postal crimes and offenses, and naturalization. In respect to these three matters a grave condition of affairs exists, as shown by recent investigations and developments.

Vast portions of the public lands have been dishonestly acquired through frauds, perjuries, and forgeries, and by similar means the laws relating to the proper administration of the Post-Office Department and other branches of the public service have been grossly violated. I have just referred to the crimes and frauds practiced in connection with the subject of naturalization.

In order that the penalties provided for violation of these laws may be promptly enforced and the Government furnished with competent legal assistance for the pending investigations and prosecutions, and those which will arise throughout the country, I earnestly recommend that the said appropriation be made available for use for the purposes indicated, to be expended under my direction.

APPEAL BY GOVERNMENT IN CRIMINAL CASES.

The Attorney-General in his annual report for the year 1899 and again in his annual report for the year 1900 made certain recommendations to Congress relating to the necessity of providing by suitable legislation for an appeal on the part of the Government in cases of decisions adverse to the United States by the courts upon demurrers interposed to indictments. Up to the present time no legislation has been enacted making this provision.

It is no infrequent occurrence for the courts to sustain demurrers to indictments. When a demurrer is sustained under the present state of the law there is no way in which the question of law so decided against the Government may be reviewed. When objection to the indictment is based upon some constitutional or other fundamental ground, a decision of this kind on demurrer, by a lower court, as it establishes a precedent, practically results in the abrogation of the statute upon which the indictment is based.

In the case of the *United States* v. *Sanges* (144 U. S., 310), Mr. Justice Gray, speaking for the court, said: "It is settled by an overwhelming weight of American authority, that the State has no right to sue out a writ of error upon a judgment in favor of the defendant in a criminal case, except under and in accordance with *express statutes*, whether that judgment was rendered upon a verdict of acquittal, or upon the determination by the court of a question of law."

I urge, therefore, upon Congress the necessity of so amending section 1026 of the Revised Statutes of the United States, as will permit the Government, when a demurrer to an indictment is sustained, to a review, upon writ of error, of the question of law involved therein, by the Supreme Court of the United States or by the circuit court of appeals.

AMENDMENT OF THE LOTTERY ACT.

As elsewhere noted, the Supreme Court at its last term sustained the constitutionality of the act of March 2, 1895 (28 Stat., 963, c. 191), for the suppression of the lottery traffic. In a recent prosecution under the act, however (*United States* v. *Wilpley*, not yet reported), the district court of the United States for the western district of Virginia held that the act did not cover transportation of lottery matter from a State to the District of Columbia, as the language used simply

referred to articles "carried from one State to another [State] in the United States." It is important that Congress should so amend the act as to place the matter entirely beyond dispute. This question was raised upon demurrer to the indictment, and for that reason, as the law now stands, can not be reviewed on the part of the United States.

It is therefore recommended that section 1 of the act in question be suitably amended.

STATUTES OF LIMITATION IN CERTAIN CRIMINAL CASES.

The bar of such statutes, in my judgment, rests in many cases upon the passage of too brief a period of time after the commission of the offense. It seems to me that two or three years, as is ordinarily the case, are not a sufficient period in reason or upon principle to terminate certain criminal liabilities and condone particular offenses, especially in relation to offenses directly against the property of the Government or its administration, as shown by recent revelations respecting postal affairs and public lands, and especially where such offenses have been committed by officers or employees of the Government. I am strongly of the opinion that the limitation to bar prosecutions in such cases should be at least five years.

The very fact that such offenders stand in a relation of trust to the Government, that public service should elicit the highest standards of patriotism, honor, and honesty, and that Government officers and employees, by reason of their positions, are often enabled to conceal for years a course of dishonest and criminal dealing in which they are participating directly or indirectly—all these considerations, I say, call for an extension of the period of limitation. I earnestly recommend the passage of appropriate laws which shall accomplish the desired object.

OFFICE OF ASSISTANT ATTORNEY-GENERAL FOR THE POST-OFFICE DEPARTMENT.

I recommend that the office of assistant attorney-general for the Post-Office Department should be abolished, and that the law officer for that Department should be designated solicitor for the Post-Office Department, to be appointed by the President, and should be made an officer of the Department of Justice. It seems that for some reason this assistant attorney-generalship was not made a Presidential appointment, but was made subject to appointment by the Postmaster-General (sec. 329, R. S.). In all other cases the assistant attorneys-general are officers of the Department of Justice, serving under and reporting to the Attorney-General; and other similar law officers in the various Departments, by whatever title such officers are designated, are also officers of the Department of Justice. (Secs. 348, 349, 350, R. S.)

I am strongly of opinion that this general policy respecting the legal service of the Government should continue and that there should be no exceptions by statute or in practice. Obvious considerations of effectiveness in correlated public service and of full responsibility therefor in the head of a department, which, perhaps, especially affect the legal service of the Government, demand this course. This view is in accordance with the letter and spirit of existing general statutes. The laws collected in the Revised Statutes under the title "Department of Justice" indicate a general intention that all litigation and all the legal interests of the United States should be concentrated under the direction and control of the Attorney-General.

SUPREME COURT.

The accompanying table shows the result of last year's work of the Supreme Court of the United States, so far as the number of cases can show it. There was an increase of 2 in the number of cases docketed on the appellate docket and an increase of 48 in the number disposed of, the number remaining having been decreased thereby from 344 to 306.

	Appellate docket—October term.					
	1890.	1891.	1892.	1893.	1894.	1895.
Cases at close of previous term not disposed of.	1,177	1,190	1,073	934	714	640
Cases docketed at the term	623	379	275	280	332	382
Total	1,800	1,569	1,348	1,214	1,046	1,022
Cases disposed of at the term	610	496	414	500	406	499
Cases remaining undisposed of	1,190	1,073	934	714	640	533

	1896.	1897.	1898.	1899.	1900.	1901.	1902.
Cases at close of previous term not disposed of.	533	383	313	304	303	336	344
Cases docketed at the term	284	302	520	370	401	383	385
Total	817	685	833	674	704	719	729
Cases disposed of at the term	434	372	529	371	368	375	423
Cases remaining undisposed of	383	313	304	303	336	344	306

The appellate docket at the close of the last term shows an increase of 10 cases since the close of the preceding term. At the close of the October term, 1901, there remained undisposed of on the appellate docket 344 cases and on the original docket 11 cases, making a total of 355. The number of cases docketed at the October term, 1902, was 391, of which 385 were on the appellate docket and 6 on the original docket. These, with the 355 cases remaining undisposed of, make the total number of cases pending at the beginning of the last term 746, of which 729 were on the appellate and 17 on the original docket. Of this number 427 were disposed of during the term, of which 423 were on the appellate and 4 on the original docket, leaving

undisposed of at the close of the October term, 1902, 319 cases, 306 being on the appellate and 13 on the original docket.

The number of cases actually considered by the court was 375, of which 203 were argued orally and 172 submitted on printed arguments. Of the 423 appellate cases disposed of, 161 were affirmed, 69 reversed, 50 dismissed, 32 settled by the parties and dismissed, in 8 questions certified were answered, 94 were denials of petitions for writs of certiorari under the act of March 3, 1891, and 9 were docketed and dismissed.

The total number of cases on the appellate docket in which the United States was a party or had a substantial interest disposed of at the October term, 1902, was 97, 3 of which were cross appeals. The United States was appellant, etc., in 35 of these cases, and appellee, etc., in 62.

Of the 35 cases appealed, etc., by the Government, 21 were decided in its favor and 11 adversely; 1 case was dismissed by it, 1 was a denial of a petition for a writ of certiorari, and 1 was dismissed by the court for want of jurisdiction.

Of the 62 cases in which the Government was appellee, 28 were determined in its favor and 8 adversely; 2 were dismissed by the appellant, 9 were docketed and dismissed; 7 were dismissed by the court; in 1, error was confessed by the United States; and 7 were denials of petitions for writs of certiorari.

Three cases were certifications of questions by the circuit court of appeals, 2 of which were decided in favor of the United States and 1 adversely.

Of the above 97 cases, 12 were appeals from the Court of Claims, of which 5 were taken by the Government. Of the 5 cases so appealed, 3 were decided in favor of the Government and 1 adversely, and 1 dismissed by the court; while of the 7 cases in which it was appellee, 4 were decided in its favor, 1 adversely; in 1, error was confessed by the United States, and 1 was dismissed by the appellant.

Of the 97 cases referred to, 10 were criminal, 2 of which were capital. Of these 10, 2 were decided in favor of the United States, 1 against the United States, 5 petitions for certiorari were denied, and 2 were docketed and dismissed.

Twelve cases were appeals, etc., from the circuit court of appeals, of which 5 were decided in favor of and 6 against the United States, and 1 was dismissed by the appellant.

One case in which the United States was appellee, appealed from the Court of Private Land Claims, was decided in its favor.

The United States was petitioner in 1 petition for a writ of certiorari under the act of March 3, 1891, and respondent in 7 petitions, all of which were denied.

Of the whole number of cases in which the Government had a sub-

stantial interest heard and decided by the court, 51 were decided in favor of the United States and 20 against the United States.

In addition to the above, 3 original cases against the United States were decided in its favor and 2 adversely.

IMPORTANT CASES DECIDED.

Among the important cases decided by the Court during the October term, 1902, in which the Government was a party or had an interest, were the following:

Lottery Case. (188 U. S., 321.)

(Docket title, *Champion* v. *Ames.*)

[No. 2. Argued December 15, 16, 1902. Decided February 23, 1903.]

This was a most important case affecting the power of Congress to regulate commerce among the States. It was argued three times at the direction of the court, the last time before a full bench.

The general question involved was the constitutionality of the first section of the act of Congress for the suppression of the lottery traffic. By that section it was made an offense for any person to "cause to be brought within the United States from abroad for the purpose of disposing of the same, or deposited in or carried by the mails of the United States, *or carried from one State to another in the United States*," any paper purporting to be or represent a ticket or chance in a lottery or similar enterprise.

Champion and another were indicted and held for trial for conspiracy to commit an offense against the United States by depositing with the Wells-Fargo Express Company, for the purpose of being carried from one State to another, viz. from Dallas, Tex., to Fresno, Cal., a box or package containing two tickets or certificates of the Pan-American Lottery Company whose drawings took place at Asuncion, Paraguay.

In the argument before the Supreme Court it was contended in their behalf that—

1. The suppression of lotteries is not an exercise of any power committed to Congress by the Constitution, and is therefore in contravention of Article X of the amendments.

2. The sending of lottery tickets or policy slips does not constitute or evidence any transaction belonging to interstate commerce and is not within the scope of the power of the National Government to regulate commerce among the States.

3. The power to regulate lotteries and to permit or prohibit the sale of lottery tickets is exclusively within the jurisdiction of the police power reserved to the States.

The conclusion reached by the court (four of the justices dissenting) was "that lottery tickets are subjects of traffic among those who choose

to sell or buy them; that the carriage of such tickets by independent carriers from one State to another is therefore interstate commerce; that under its power to regulate commerce among the several States Congress, subject to the limitations imposed by the Constitution upon the exercise of the powers granted, has plenary authority over such commerce, and may prohibit the carriage of such tickets from State to State, and that legislation to that end and of that character is not inconsistent with any limitation or restriction imposed upon the exercise of the powers granted to Congress."

The opinion refers to the Sherman Antitrust Act as an illustration of the proposition that the regulation of interstate commerce may take the form of prohibition.

Although the opinion of the court is expressly restricted to the facts of the particular case, the decision rendered necessarily enunciates the vital principle that the power of Congress to regulate interstate commerce includes the power absolutely to prohibit such commerce in anything which is an article of commerce if, in the judgment of Congress, the general welfare will be promoted by such exclusion. The syllabus follows:

> Lottery tickets are subjects of traffic among those who choose to buy and sell them, and their carriage by independent carriers from one State to another is therefore interstate commerce which Congress may prohibit under its power to regulate commerce among the several States.
>
> Legislation under that power may sometimes, and properly, assume the form, or have the effect, of prohibition.
>
> Legislation prohibiting the carriage of such tickets is not inconsistent with any limitation or restriction imposed upon the exercise of the powers granted to Congress.

Francis v. United States. (188 U. S., 375.)

[No. 80. Argued simultaneously with *Champion* v. *Ames* and decided the same day.]

In this case the defendants were charged with conspiring to commit and with having committed an offense against the United States by causing to be carried from one State to another, viz, from Kentucky to Ohio, five papers purporting to be and to represent chances or shares in the prizes thereafter to be awarded by lot in the drawing of a lottery, commonly known as the game of policy, in violation of the same provision of the act for the suppression of the lottery traffic, as was involved in the Champion case. The lottery in question had its headquarters in Ohio and agencies in different States. The method in which the scheme was carried out is shown in detail in the report of the case. The carriage from one State to another, relied upon as the object of the conspiracy, and as the overt act in pursuance of the conspiracy, was the carriage and delivery of certain slips, as therein described, from Kentucky to Ohio. The case was disposed of on the

ground that there was no evidence of an offense within the meaning of the act of 1895 the assumption that the slips carried from Kentucky to Ohio were papers purporting to be or represent a ticket or interest in a lottery being, in the opinion of the court, erroneous. The syllabus follows:

> A slip retained by the agent of a lottery, which is the duplicate of a slip retained by the purchaser, indicating the numbers selected by him, is not a paper, certificate, or interest purporting to be or to represent chances, shares, and interest in the prizes thereafter to be awarded by lot in the drawings of a lottery commonly known as the game of policy within the meaning of the act of Congress of March 2, 1895, c. 191, 28 Stat., 963.

Pacific Steam Whaling Company v. United States. (187 U. S., 447.)

[No. 26. Argued December 8, 1902. Decided January 5, 1903.]

The question presented in this case, and the ruling of the court thereon, are sufficiently stated in the syllabus:

> Where an applicant files with the district court of Alaska a petition for a license for vessels and salmon canneries under section 460 of the act of 1899, providing a criminal code for Alaska, (30 Stat., 1253, 1336), and with it a protest against being required to take out or pay for such license on various grounds stated therein, to which petition and protest the clerk of the district court is not made a party—although the papers may have been served on the district attorney—and the district court thereafter makes an order granting the license, stating therein that so far as the protestant seeks relief against the payment of the licenses "the same is overruled, denied, and ignored," an appeal to this court will not lie, as there is no action, suit, or case within the constitutional provision (Article III, section 2) in which was entered a final judgment or decree such as entitled the petitioner to appeal to this court.

Pacific Coast Steamship Company v. United States. (187 U. S., 454.)

Same v. Same.

Same v. Same.

[Nos. 29, 30, 31. Argued December 8, 1902. Decided January 5, 1903.]

The case is stated in the syllabus:

> Affirmed on authority of *Pacific Steam Whaling Co.* v. *United States*, decided simultaneously herewith, page 447, *ante*.

Corbus v. Alaska Treadwell Gold Mining Company. (187 U. S., 455.)

[No. 10. Argued December 8, 1902. Decided January 5, 1903.]

This, like the preceding cases (Nos. 26, 29, 30, 31), was brought to prevent the payment of a license tax imposed by the Alaskan

Code of 1899. The method pursued was, however, different. It was a suit in equity by a stockholder against the mining company, a Minnesota corporation doing business in Alaska, to restrain it from paying the tax. The United States was not a party to the suit, but, having been served with notice thereof, the district attorney in the lower court, and the Solicitor-General in the Supreme Court, appeared simply as *amicus curiæ*, and, denying the jurisdiction of the court or its right to enjoin the defendant from paying the tax, argued in favor of the constitutionality of the law.

The plaintiff averred in his bill that the suit was not a collusive one; that because of the great distance at which the directors of the company resided he had not been able to request them not to pay the tax and apply for a license, but had made such request of the officers and agents of the company in Alaska, who had refused to accede thereto because of the penalties which would be incurred by a failure to obey the law; and further averred, in general terms, that the relief asked was necessary to avoid a multiplicity of suits, irreparable damage, and great expense to himself and other shareholders. In support of the jurisdiction of the court to entertain the bill the plaintiff relied upon the case of *Pollock* v. *Farmers' Loan and Trust Company*. (157 U. S., 429.) The court affirmed the action of the district court in dismissing the suit for the reasons stated in the syllabus:

> Before a court of equity will in any way help a party to thwart the intent of Congress, as expressed in a statute, it should affirmatively and clearly appear that there is an absolute necessity for its interference in order to prevent irreparable injury.
>
> If the party primarily and directly charged with a tax is unable to make a case for the interference of a court of equity, no one subordinately and indirectly affected by the tax should be given relief unless he shows not merely irreparable injury to the tax debtor as well as to himself, but also that he has taken every essential preliminary step to justify his claim of a right to act in behalf of such tax debtor.
>
> The fact that this court entertained the bill of equity in *Pollock* v. *Farmers' Loan and Trust Co.* (157 U. S., 429) does not determine to what extent a court of equity will permit a stockholder to maintain a suit nominally against the corporation, but really for its benefit; and where a bill is filed by a stockholder to enjoin the officers of a corporation from paying a tax, as required by a statute of the United States, this court will examine the bill in its entirety and determine whether, under all the circumstances, the plaintiff has made such a showing of wrong on the part of the corporation as will justify the suit, and if it appears that the suit is collusive or that the plaintiff has not done everything which ought to have been done to secure action by the corporation and its directors, and justify under the assumption of a controversy between himself and the corporation his prosecution of a litigation for its benefit, the bill will be dismissed.

Stewart v. Washington and Alaska Steamship Company. (187 U. S., 466.)

[No. 13. Argued December 8, 1902. Decided January 5, 1902.]

The case is stated in the syllabus:

In an action similar to the preceding, *Corbus* v. *Alaska Treadwell Mining Company*, page 455, *ante*, brought by a stockholder to restrain a corporation from paying certain taxes, in which the bill does not show where the directors reside and does not contain any averment of an application to the directors, or to the president and treasurer, to take action to relieve from the burden of the taxes, the bill was properly dismissed.

United States v. Lynah. (188 U. S., 445.)

[No. 45. Argued January 8, 1903. Decided February 23, 1903.]

This case grew out of the operations of the Government in the improvement of the Savannah River under several acts of Congress. It was claimed, and found by the circuit court, that the property of the plaintiffs had been totally destroyed by the acts of the Government, and that that constituted a taking of the property for public use, for which compensation must be made. The principles decided are important, as affecting a large number of cases which have been or may be brought upon similar or analogous facts. The syllabus is as follows:

All private property is held subject to the necessities of government, and the right of eminent domain underlies all such rights of property.

When the United States Government appropriates property which it does not claim as its own, it does so under an implied contract that it will pay the value of the property it so appropriates.

When it is alleged in an action that the Government of the United States in the exercise of its powers of eminent domain and regulation of commerce, through officers and agents duly empowered thereto by acts of Congress, places dams, training walls, and other obstructions in the Savannah River in such manner as to hinder its natural flow and to raise the water so as to overflow the land of plaintiff along the banks to such an extent as to cause a total destruction of its value, and the Government does not deny the ownership, admits that the work was done by authority of Congress, and simply denies that the work has produced the alleged injury and destruction, the circuit court of the United States has jurisdiction to inquire whether the acts done by the officers of the United States under the direction of Congress have resulted in such an overflow and injury of the land as to render it absolutely valueless and, if thereby the property was, in contemplation of law, taken and appropriated by the Government, to render judgment against it for the value of the property so taken and appropriated.

When the Government of the United States by the construction of a dam, or other public works, so floods lands belonging to an

individual as to totally destroy its value, there is a taking of private property within the scope of the fifth amendment.

The proceeding must be regarded as an actual appropriation of the land, including the possession and the fee and, when the amount awarded as compensation is paid, the title, the fee and whatever rights may attach thereto pass to the Government which becomes henceforth the full owner.

Notwithstanding that the work causing the injury was done in improving the navigability of a navigable river and by the Constitution Congress is given full control over such improvements, the injuries can not be regarded as purely consequential, and the Government can not appropriate property without being liable to the obligation created by the fifth amendment of paying just compensation.

American School of Magnetic Healing v. McAnnulty (187 U. S., 94).

[No. 27. Argued October 15, 19, 1902. Decided November 17, 1902.]

This was a bill of complaint brought to restrain a local postmaster from withholding mail containing checks, drafts, etc., addressed to complainants. The postmaster refused to deliver the mails in compliance with a "fraud order" issued by the Postmaster-General. The bill having been demurred to, and the demurrer sustained, the Supreme Court held the allegations therein were sufficient to warrant equitable relief and reversed the case, directing that defendant might answer and show on the trial, if it could, actual fraud in fact. The bill was subsequently dismissed by the complainants.

The syllabus is as follows:

On demurrer all the material facts averred in a bill of complaint are admitted including averments describing complainant's business and stating that it is founded "almost exclusively on the physical and practical proposition that the mind of the human race is largely responsible for its ills, and is a perceptible factor in the healing, curing, benefiting, and remedying thereof, and that the human race does possess the innate power, through proper exercise of the faculty of the brain and mind, to largely control and remedy the ills that humanity is heir to, and they (complainants) discard and eliminate from their treatment what is commonly known as Christian Science, and they are confined to practical scientific treatment emanating from the source aforesaid." The foregoing allegations are not conclusions of law but statements of fact.

Such an allegation having been made in a bill of complaint, the business referred to can not on demurrer be properly pronounced such a fraud within the statutes of the United States as will justify a postmaster withholding matter sent to complainants through the mail in answer to advertisements on an order issued by the Postmaster-General under sections 3929 and 4041 of the Revised Statutes of the United States, and section 4 of an act approved March 2, 1875, (28 Stat., 963, 964); but in overruling the demurrer, this court does not mean to preclude the defendant from

showing on the trial, if he can, that the business of the complainants, as in fact conducted, amounts to a violation of such statutes.

The statutes referred to were not intended to cover any case which the Postmaster-General might regard as based on false opinions, but only cases of actual fraud, in fact, in regard to which opinions formed no basis.

Conceding for the purposes of this case that Congress has full and absolute jurisdiction over the mails, still where the Postmaster-General, in a case not covered by the acts of Congress, has assumed to act under the authority granted by the said statutes and made an order withholding mail and interfering with carrying on the business above described, even if such order be made after a hearing, the matter is subject to be reviewed by the courts; and while the conduct of the post-office is a part of the administrative department of the Government, that fact does not always oust the courts of jurisdiction to grant relief to a party aggrieved by any action, by the head, or one of the subordinate officials of that department, which is unauthorized by the statute under which he assumes to act.

Where the action of such an officer is unauthorized he thereby violates the property rights of the person whose letters are withheld.

In this case it not appearing that the complainants have violated any law they have the legal right under the general acts of Congress relating to the mails to have their letters delivered at the post-office as directed, and as those letters contain checks, drafts, money orders, and money itself, all of which became their property as soon as deposited in the various post-offices for transmission by mail, if the same are not delivered to them they will sustain irreparable injury, and there being no adequate remedy at law, they are entitled to equitable relief and an injunction preventing the local postmaster withholding their mail under the order so issued by the Postmaster-General.

The Manila Prize Cases. (188 U. S., 254.)

(*United States* v. *Dewey*, No. 309. *Dewey* v. *United States*, No. 310. *Stovell* v. *Dewey*, No. 311.)

[Nos. 309, 310, 311. Argued October 28, 29, 1902. Decided January 23, 1903.]

These cases involved the question whether certain Spanish vessels, sunk in the battle of Manila Bay and subsequently raised and reconstructed for use by the United States, were to be regarded as prize for the benefit of the captors or as "vessels sunk or otherwise destroyed," under section 4635, Revised Statutes, for which bounty was due. The status of property taken from these vessels, and from other vessels destroyed, of naval stores taken from the Cavite Arsenal, and of certain cascoes or small native boats, and floating derricks, the property of private citizens, was also involved. The court held that the vessels and the property taken from them were properly adjudged prize; that bounty was due for the property taken from the destroyed vessels; that the arsenal stores, being "naval stores taken at a naval

station by a naval force as the result of a naval engagement," were lawful prize, but that the small boats and derricks were not subject to condemnation as prize. The syllabus follows:

> While the right of the citizen to demand condemnation of vessels or property as prize for his benefit must be derived from acts of Congress, and their scope is not to be enlarged in his favor by construction, where there is no controversy in respect to the existence of the grant, a more liberal construction may be applied in carrying the intention of Congress into effect.
>
> 1. Vessels lying on the bottom in shallow water in such condition, as the result of a naval engagement, that they can not be floated by any of the means possessed by the naval force overcoming them, but which are afterwards, by the independent means of the Government, raised and repaired and appropriated to its own use are not to be regarded as sunk or destroyed within the meaning of section 4635, Revised Statutes, but they may be regarded as within the provisions of sections 4624 and 4625, and their money value may stand in place of prize and be so adjudicated.
>
> 2. The legal status of property taken from vessels in such condition must be regarded as the same as the vessel to which it belongs.
>
> 3. Naval stores—public-enemy property—designed for hostile uses, stored on the seashore in an establishment for facilitating naval warfare, when taken by a naval force as a result of a naval engagement, can be adjudged as prize for the benefit of the captors.
>
> As the right of the Government of the capturing naval force is supreme, it may when in its judgment the public interest demands it, restore a prize; and the courts can not proceed to condemnation as to captured property restored under a treaty of peace before decree.
>
> The strength of the capturing naval force under Admiral Dewey's command at Manila was superior to that of the Spanish fleet on May 1, 1898.
>
> 4. Cascoes, or native boats, and certain floating derricks, property of private persons in the Philippine Islands, were rightly held by the district court not to be subject to condemnation as prize.
>
> 5. Vessels performing the functions of colliers and not in a condition to render effective aid if required during a naval engagement, and the masters and crews thereof, who have been shipped but who are not commissioned or enlisted men in the United States Navy, are not entitled to participate in prize money or bounty resulting from the capture and destruction of the enemy's vessels.

The Infanta Maria Teresa. (188 U. S., 283.)

[No. 273. Argued October 27, 28, 1902. Decided February 23, 1903.]

The question involved in this case is stated in the syllabus, which is as follows:

> The Spanish war vessel *Infanta Maria Teresa*, at the engagement at Santiago on July 3, 1898, was so far sunk and destroyed

that she could not be sent in for adjudication, and no survey was had nor was any sale directed by the commanding officer, nor was she taken by and appropriated for the use of the United States and the value deposited under section 4525, Revised Statutes. Subsequently she was raised by a wrecking company under a contract with the Government and taken as far as Guantanamo, whence, after certain temporary repairs were made, it being impossible to completely repair her at that port, she proceeded in tow and partially under her own steam to Norfolk, the nearest Government navy-yard and the nearest point where permanent repairs could be made. On the way she was lost at Cat Island as a result of inability to withstand the storm, on account of injuries received in the action at Santiago, became a total wreck, and was abandoned. The commanding officer concurred with the Government in the effort at salvage.

Held, That as the salvage was not actually accomplished, there was no appropriation to its use by the Government in the meaning of the statute and the captors were entitled to bounty only and not to prize money.

Held, That the disposition of the property taken from the vessel must follow the rule laid down in *The Manila Prize Cases*, *ante*, page 254.

Downs v. United States. (187 U. S., 496.)

[No. 318. Argued October 29, 1902. Decided January 5, 1903.]

This was a writ of certiorari to the circuit court of appeals for the fourth circuit. The question presented was whether, under the sugar laws and regulations of Russia, imposing an excise tax upon all sugar produced, remitting that tax upon all sugar exported, and issuing a certificate to the exporter of sugar which is salable and has a money value in the open market, a grant or bounty is bestowed upon the importation of sugar which subjects such sugar, upon its importation into the United States, to an additional duty equal to the net amount of such bounty, under section 5 of the tariff act of July 24, 1897. The conclusion of the court appears in the syllabus, which is as follows:

Where a tax is imposed upon all sugar produced, but is remitted upon all sugar exported, then, by whatever process or in whatever manner or under whatever name it is disguised, it is a bounty upon exportation. As under the laws and regulations of Russia, the Russian exporter of sugar obtains from his Government a certificate solely because of such exportation, which certificate is salable and has an actual value in the open market, the Government of Russia does secure to the exporter from that country, as the inevitable result of such action, a money reward or gratuity whenever he exports sugar from Russia, and which is in effect a bounty upon the export of sugar which subjects such sugar, upon its importation into the United States, to an additional duty equal to the entire amount of such bounty under the act of Congress of July 24, 1897. (30 Stat., 205.)

The Mangrove Prize Money. (188 U. S., 720.)

[Nos. 24 and 34. Argued January 7, 8, and 9, 1903. Decided February 23, 1903.]

(*United States* v. *Officers and crew of the U. S. Steamer Mangrove*, No. 24. *Officers and enlisted men of the U. S. Ships New York, Indiana, and Wilmington* v. *Officers and crew of the U. S. Steamer Mangrove*, No. 34.)

These cases were appeals from a decree of the United States district court for the southern district of Florida, awarding the net proceeds of the Spanish steamer *Panama* (condemned as prize by the Supreme Court, 176 U. S., 535) to the officers and crew of the U. S. S. *Mangrove* as sole capturing vessel. The question presented was whether the United States and the officers and crews of the U. S. S. *Indiana*, *Wilmington*, and *New York* were entitled to share in the prize proceeds under sections 4630, 4632, Revised Statutes, on the ground that the captured vessel was of inferior force to the *Mangrove*, and that the three vessels named were within signal distance at the time of the capture and able to render effective aid if required. The Supreme Court affirmed the decree of the district court, holding that the *Panama* was of superior force to the capturing vessel; that the *Indiana*, *Wilmington*, and *New York* were not within signal distance within the meaning of the statute, and did not contribute in any way toward the capture, and that accordingly neither they nor the United States were entitled to share in the proceeds. The syllabus is as follows:

> Vessels more than 5 miles apart *held* not to be within signal distance so as to be entitled to share in prize under the circumstances of this case. Vessels not within signal distance are not "vessels making the capture" within Revised Statutes section 4630, although they may have contributed remotely to this result. They can not be taken into account in estimating the relative force of capture and prize. In estimating the relative strength of the captured and capturing vessels, the means possessed by the captured vessel, and not the use made of them, must be considered.

The Japanese Immigrant Case. (189 U. S., 86.)

(*Docket title, Yamataya* v. *Fisher.*)

[No. 171. Argued February 24, 1903. Decided April 6, 1903.]

This case involved the right of the United States to exclude a Japanese immigrant from admission to this country under the immigration act of March 3, 1903, as a pauper. The immigrant had escaped the executive scrutiny and process on landing, and the arrest was made and inquiry leading to an order of exclusion and deportation by the immigration authorities was instituted within the statutory period of one year after landing. The central question was whether under all the facts appearing the constitutional requirement of "due process of

law" had been observed. This question was decided in the affirmative. The syllabus follows:

1. As the existing treaty with Japan expressly excepts from its operation any regulation relating to police and public security, and as the various acts of Congress forbidding aliens of whatever country to enter the United States who are paupers or persons likely to become a public charge, are regulations for police and public security, aliens from Japan of the prohibited class have no right to enter or reside in the United States.

Quære. Whether, even in the absence of such a provision in the treaty, the "full liberty to enter, reside," etc., clause refers to that class in either country who from habits or conditions are the object of police regulations designed to protect the general public against contact with dangerous or improper persons.

2. It has been firmly established by numerous decisions of this court that it is within the constitutional power of Congress to exclude aliens of a particular race from the United States: prescribe the terms and conditions upon which certain classes may come to this country; establish regulations for sending out of the country such aliens as come here in violation of law; and commit the enforcement of such provisions, conditions, and regulations to executive officers, without judicial intervention.

3. An administrative officer, when executing the provisions of a statute involving the liberty of persons, may not disregard the fundamental principles of due process of law as understood at the time of the adoption of the Constitution. Nor is it competent for any executive officer, at any time within the year limited by the statute, to arbitrarily cause an alien who has entered the country and has become subject in all respects to its jurisdiction, and a part of its population, although illegally here, to be arrested and deported without giving such alien an opportunity, appropriate to the case, to be heard upon the questions involving his right to be and remain in the United States.

Where, however, the alien had notice, although not a formal one, the courts can not interfere with the executive officers conducting it. The objections of the alien to the form of the investigation could have been presented to the officer having primary control of the case, or by an appeal to the Secretary of the Treasury, and the action of the executive officers is not subject to judicial review.

The Paquete Habana. (189 U. S., 453.)

[Nos. 578, 580, 581, 582, 583 584, 585, 586, 587, 588, 589. Argued March 19, 1903. Decided April 6, 1903.]

(*United States* v. *The Paquete Habana; Same* v. *The Lola; Same* v. *Poder de Dios; Same* v. *The Antonio y Paco; Same* v. *The Engracia; Same* v. *The Severita; Same* v. *The Antonio Suarez; Same* v. *The Fernandito; Same* v. *The Oriente; Same* v. *The Espana; Same* v. *The Cuatro de Setiembre; Same* v. *The Santiago Apostol.*)

These cases, which are known as the "fishing smack cases," were originally before the Supreme Court on the question of condemnation

as prize (175 U. S., 677). The court then decided that the vessels were not liable to capture, and decrees were ordered restoring to the claimants the proceeds of the vessels and cargoes, with compensatory damages and costs. These were appeals from the decrees entered by the district court in pursuance of that direction, the questions involved being as to the *quantum* of damages, and as to whether the Government or the naval captors individually were responsible therefor. The court held on the latter point that the decrees should be entered against the United States, but were of opinion that the amount of damages awarded was excessive, and remanded the cases to the district court for further proceedings. The syllabus follows:

> This court having decided in *The Paquete Habana* (175 U. S., 677) that certain fishing smacks engaged in coast fishing for the daily market were not liable to capture, and ordered that the proceeds of vessels and cargoes be restored to the claimants with compensatory and not punitive damages and costs, and it appearing that the damages allowed were excessive, the cases were remanded to the district court for further proceedings.
>
> Under the circumstances of this case the decree should be entered against the United States and not against the captors individually.

Missouri Pacific Railway Company v. United States. (189 U. S., 274.)

[No. 108. Argued January 23, 26, 1903. Decided March 9, 1903.]

This was an amended bill of complaint, filed July 19, 1897, on behalf of the United States by the United States attorney for the district of Kansas, under the direction of the Attorney-General of the United States and pursuant to a request of the Interstate Commerce Commission, the object being to obtain a perpetual injunction restraining the Missouri Pacific Railway Company from continuing to exact a greater rate for transportation of freight of like classification between the city of Wichita and the city of St. Louis than was asked between the city of St. Louis and the city of Omaha. A demurrer was filed to the amended bill upon various grounds, one of which denied the right of the United States to institute the suit in equity. The demurrer was overruled by the circuit court and this action was sustained by the circuit court of appeals, whereupon an appeal was taken to the Supreme Court. The syllabus follows:

> Prior to the passage of the act of Congress "to further regulate commerce with foreign nations and among the States" approved February 19, 1903, a district attorney of the United States under the direction of the Attorney-General of the United States given in pursuance of a request made by the Interstate Commerce Commission was without power to commence a proceeding in equity against a railroad corporation to restrain it from discriminating in its rates between different localities. *Held*, therefore, that there was error committed below in refusing to sustain a demurrer

of a defendant railroad company to a bill filed by a district attorney of the United States under the circumstances stated.

As, however, the act of February 19, 1903, expressly conferred the power which did not theretofore exist and as that act specifically provided that the new remedies which it created should be applicable to all causes then pending, *Held*, that although the action of the lower court in refusing to sustain the demurrer would be overruled, the case would not be finally disposed of but would be remanded for further proceedings in consonance with the provisions of the act of February 19, 1903.

Bank of Iron Gate v. Brady, Executrix.

[No. 349. Submitted October 14, 1902. Decided October 20, 1902.]

This case grew out of a suit instituted in the circuit court of the United States for the eastern district of Virginia against James D. Brady, acting as collector of internal revenue of the United States, to recover damages for the forcible collection of a 10 per cent tax on State bank issue. In a former similar suit, a demurrer to the declaration was filed, sustained, and judgment entered for the defendant. Thereupon a writ of error was sued out to the Supreme Court of the United States. After the case reached the Supreme Court the defendant, James D. Brady, died, and an application was made to revive in the name of his personal representative.

The court held that "a tort by which the estate of the defendant was not increased and the estate of the plaintiff damaged only as an indirect consequence of the alleged wrongful act of the defendant does not, either at common law or by the statutes of Virginia, survive the death of the wrongdoer." The court ordered that the case be remanded to the circuit court, with instructions to set aside its judgment and enter one abating the action by reason of the death of the defendant.

The present action was then instituted in the circuit court against Maggie A. Brady, executrix, which resulted in a judgment for the defendant. The case was then taken to the Supreme Court on a writ of error, where the judgment of the lower court was affirmed on the authority of *Veazie Bank* v. *Fenno* (8 Wall., 533).

Kirwan v. Murphy. (189 U. S., 35.)

[No. 161. Argued January 30, 1903. Decided April 6, 1903.]

In this case Murphy and others filed a bill of complaint in the United States circuit court for the district of Minnesota against Kirwan, as United States surveyor-general of that district, and Thomas H. Croswell, as deputy surveyor, to enjoin them from surveying certain lands claimed by the General Land Office to be unsurveyed public lands of the United States. The circuit court granted the preliminary injunction, and its order was affirmed by the circuit court of appeals

for the eighth circuit. An appeal was taken to the Supreme Court of the United States and dismissed. The cause then went to final hearing, and the circuit court decided in favor of the plaintiffs. An appeal was taken to the circuit court of appeals and the decree of the lower court affirmed. Thereupon an appeal was taken to the Supreme Court of the United States, where the decree of the circuit court of appeals and of the circuit court were reversed and the cause remanded to the latter court with directions to dismiss the bill. The syllabus follows:

> Even if the making of a Government survey, which could be made without any material injury to soil or timber, involved a trespass, it would be of so fugitive and temporary a character as to lack such elements of irreparable injury as would furnish the basis for equity interposition. Nor will a bill of peace lie where the legal remedy is adequate, and where the persons directly interested are not made parties, are not numerous, and assert separate rights.
>
> The administration of public lands is vested in the Land Department, and its power in that regard can not be divested by the fraudulent action of a subordinate officer outside of his authority and in violation of the statute. The courts can neither correct nor make surveys. The power to do so is in the political department of the Government, and the Land Department must primarily determine what are public lands subject to survey and to disposal, and as it is possessed of this power in general, its exercise of jurisdiction can not be questioned by the courts before it has taken final action.
>
> A bill in equity can not be maintained to enjoin the officers of the Land Department from surveying land which years before had been omitted from an alleged survey, the complainants having purchased lands under such alleged survey, which did not include that in question. The remedy for any infringement of complainant's rights is at law after the administrative action of the Government has been concluded.

Northern Pacific Railway Company v. Soderberg. (188 U. S., 526.)

[No. 61. Argued December 12, 1902. Decided February 23, 1903.]

This was a bill filed by the railway company in the circuit court for the district of Washington, to enjoin the defendant Soderberg from taking, removing, or disposing of granite from a quarter section of land, of which he had taken possession under a mineral location, and for an accounting. It involved a construction of the act of Congress granting land to the Northern Pacific Railway Company, and a brief was therefore filed on behalf of the United States. The facts in the case and the conclusions reached by the court are sufficiently stated in the syllabus, as follows:

> 1. Although the jurisdiction of the United States circuit court be originally invoked on the ground of diverse citizenship, the

attribute of finality can not be impressed upon the judgment of the circuit court of appeals unless it appear that the original jurisdiction was dependent *entirely* upon such diversity of citizenship, and where the case made by the plaintiff depends upon the proper construction of an act of Congress with the contingency of being sustained by one construction, and defeated by another, it is one arising under the laws of the United States, and this court has jurisdiction thereof under section 1 of the act of 1888.

2. Lands valuable solely or chiefly for granite quarries are mineral lands within the exception and the meaning of the provisions of the act of Congress of July 2, 1864, granting, under conditions therein stated, every alternate odd-numbered section of public land *not mineral* to the amount of 20 alternate sections per mile on each side of its line to the Northern Pacific Railroad Company. The word mineral need not be construed as synonymous with metalliferous.

Land-grant statutes should receive a strict construction, and one which supports the contention of the Government rather than that of the individual—the sovereign rather than the grantee. Nothing passes by implication.

Oregon and California Railroad Company v. United States. No. 1. (189 U. S., 103.)

[No. 186. Argued March 4, 1903. Decided April 6, 1903.]

This suit raised the question whether the rights of actual settlers in good faith upon unsurveyed land within the indemnity limits of a grant to a railroad company, who made applications for entry under the homestead laws within due time after the survey and the filing of plats thereof in the local land office, were superior to those of the railroad company, which, immediately upon such filing of said plats, but subsequent to the actual occupation and improvement by the settlers, made selection of the lands to supply deficiencies in its place or granted limits. It was contended on behalf of the railroad company, that since it filed its lists selecting the lands prior to the date of applications by settlers under the homestead laws its rights first attached, and, further, that because all of the indemnity lands were inadequate to supply deficiencies within the place limits its rights attached to indemnity lands as of date of definite location without the necessity for any selection on its part and notwithstanding the fact that there had not been any adjustment and determination of the amount of lieu lands required for this purpose. The conclusions of the court appear in the syllabus as follows:

In a suit brought under the act of Congress of March 3, [illegible] c. 376, to compel the reconveyance of lands covered by [illegible] issued February 20, 1893, on the ground that it included [illegible] which there were adverse claims of settlers to the land [illegible] they respectively resided and which the United State[illegible] for them, *Held:*

(1) That under the land-grant acts the railroa[illegible] acquire and could not have acquired an [illegible]

of land within the indemnity limits specified in the grant before their actual and approved selection under the direction of the Secretary of the Interior, prior to the date of occupancy by the respective settlers.

(2) No right of the railroad company attaches or can attach to specific lands within indemnity limits until there is a selection under the direction or with the approval of the Secretary of the Interior.

(3) The rights which *bona fide* occupancy gave to the settler under the act of 1866 are not defeated by a mere selection afterwards of the land by the railroad company, the settler having, after the lands were surveyed, promptly taken the necessary steps to protect his rights under the homestead law. In such case, the entry made under these laws relates back to the date of the settlement of the lands.

(4) It can not be claimed that *all* the lands within the indemnity limits were required to supply deficits, when there had been no adjustment and determination of the amount of lieu lands required prior to his *bona fide* occupancy of the land.

Oregon and California Railroad Company v. United States. No. 2. (189 U. S., 116.)

[No. 187. Argued March 4, 1903. Decided April 6, 1903.]

This case is similar to the preceding, except that the act granting land to the railroad company contained a provision not found in the granting act under consideration in that case, to wit: "That the Commissioner of the General Land Office shall cause the lands along the line of the said railroad to be surveyed with all convenient speed." The court held the prior decision to be controlling. The syllabus is as follows:

On the authority of the preceding case, *Held*, that where a duly qualified entryman made a *bona fide* settlement upon lands within the indemnity limit of the grant made by act of Congress of May 4, 1870, with the intention, whenever the way was opened by a survey, to enter the lands under the homestead laws, his rights were superior to those acquired, or that could have been acquired, by the railroad company under any selection by it of indemnity lands made after the date of such settlement.

Oregon and California Railroad Company v. United States. No. 3. (190 U. S., 186.)

[No. 188. Argued March 4, 1903. Decided May 4, 1903.]

The syllabus sufficiently states the questions raised and the decision, as follows:

While a railway grant does not attach to lands which, at the time of the definite location of the line have been sold, preempted, reserved, or otherwise disposed of by the United States, this rule does not apply to a claim which has been canceled or abandoned before the attachment of the railroad grant, either by the definite location of the line or by the selection of the lands as lieu lands

within the indemnity limits. Where, therefore, a notification had been filed under the Oregon donation acts of September 27, 1850, and February 14, 1853, to land within the indemnity limits of a railroad land grant, but the person filing the same did not comply with the conditions of the statutes, the land continued to be the property of the United States to which the railroad grant subsequently attached, and the grant was not defeated by the fact that the donation notification remained of record in the office of the surveyor-general.

If any presumption was created by the existence of the donation certificate to the effect that the land was reserved, the railroad may defeat the presumption by showing the actual facts in the same manner as an individual might who desired to enter the land on his own account. (*Oregon and Cal. R. R.* v. *United States*, *No. 1*, 189 U. S., 103, and *Same* v. *Same*, *No. 2*, 189 U. S., 116, distinguished.)

Southern Pacific Railroad Company v. United States. (189 U. S., 447.)

[No. 190. Argued March 9, 10, 1903. Decided April 6, 1903.]

This suit involved a determination of the title to lands within the place limits of the grant to the Southern Pacific Railroad Company, so far as they overlapped the place limits of the grant to the Texas and Pacific Railroad Company by the same act of Congress. The act granted certain lands to the Texas and Pacific Railroad Company and required it to file a map of general route, providing that upon such filing the Secretary of the Interior should cause the lands "to be withdrawn from preemption, private entry, and sale." This map was filed and the lands duly withdrawn. By a subsequent section of the same act the Southern Pacific was authorized to construct a line to the Texas and Pacific at or near the Colorado River, "with the same rights, grants, and privileges," etc., as granted to it in a previous act: "*Provided, however*, That this section shall in no way affect or impair the rights, present or prospective, of the Atlantic and Pacific Railroad Company or any other railroad company." The Southern Pacific was constructed, but the Texas and Pacific was never built and Congress declared its grant forfeited. The syllabus follows:

Under the act of March 3, 1871 (c. 122, 16 Stat., 573,), the rights of the Southern Pacific Railroad Company were subordinate to those of the Texas Pacific Railroad Company. When the Texas Pacific grant was declared forfeited by the act of February 28, 1885, the forfeiture did not vest the Southern Pacific with the lands forfeited, but the forfeiture enured to the benefit of the United States.

United States v. State of Michigan. (190 U. S., 379.)

[No. 11. Original. Argued April 20, 21, 1903. Decided June 1, 1903.]

This was an original suit in equity in the Supreme Court of the United States having for its object an accounting by the State of

Michigan to the United States covering the construction, operation, and maintenance of the St. Mary's Falls Ship Canal, which was built by the State of Michigan from the proceeds of the sales of lands granted to the State of Michigan by the United States through an act of Congress approved August 26, 1852. By the terms of said act the State was to make annual reports to the Secretary of the Interior of the operation and maintenance of the canal. This, it was claimed, was not done.

The State of Michigan, through its legislature, authorized the board of control of the canal to transfer the canal, with the property belonging to the same, to the United States, and Congress accepted the same, and thereupon the canal was turned over to the Federal Government. At that time there remained on hand in the canal fund the sum of $68,972.12, together with certain tools and machinery, which were not turned over to the Government with the canal. Later, upon formal demand upon the State of Michigan by the Government, the State refused to relinquish the money and property.

Thereupon the Government filed its said original bill claiming a trusteeship on the part of the State, and its consequent duty to turn over the money and property on hand at the time of the transfer of the canal, and to render an account to the Government of the sales of the lands, the disposition of the proceeds thereof, and of the maintenance and operation of the canal during the time it was under control of the State. The State demurred to the bill, claiming that it failed to show a trust relation between the United States and the State. The position of the Government was upheld, the demurrer overruled, and leave given the State to answer.

The syllabus follows:

> The effect of the legislation of Congress granting a right of way through a military reservation and 750,000 acres of public lands to be sold by the State of Michigan and the proceeds applied, under the conditions prescribed, to the construction of the St. Marys River Canal, and of the legislation of the State of Michigan in regard to the construction, maintenance and surrender of the canal to the United States, as the same are set forth in the complaint, was to create a trust, of which the State of Michigan was the trustee, to construct and maintain the canal as a work of national importance, and the State of Michigan acquired no individual beneficial interest therein. When the canal was surrendered to the United States by the State the Federal Government was entitled to whatever surplus remained in the hands of the State from the tolls collected over and above the expenses of maintenance and also to the value of the tools and materials connected with the canal at the time of surrender.

United States v. Mission Rock Company. (189 U. S., 391.)

[No. 198. Argued March 11, 1903. Decided April 13, 1903.]

This was an action of ejectment brought by the United States to recover possession of certain filled land in the bay of San Francisco, surrounding and including a rock or island known as Mission Rock, and a smaller adjacent island. The essential facts and the conclusions of the court sufficiently appear from the syllabus.

The State of California upon its admission into the Union acquired absolute property in, and dominion and sovereignty over, all soils under the tide waters within her limits, with the consequent right to dispose of the title to any part of said soils in such manner as she might deem proper, subject to the paramount right of navigation over the waters, so far as such navigation might be required for the necessities of commerce with foreign nations or among the several States, the regulation of which is vested in the General Government. (*Shively* v. *Bowlby*, 152 U. S., 1.)

The State of California pursuant to an act of legislature issued its patent in 1872 for certain submerged lands in San Francisco Bay, about 14 acres and upward, which the patentee's grantees improved by filling in and building docks and warehouses. Within the boundaries were two small rocks or islands, one-fourteen one-hundredths of an acre and the other one one-hundredth of an acre in area. In 1899 the President made an order reserving the two rocks and describing them as of the above-mentioned fractional acreage for naval purposes. The United States demanded possession of the original islands and of the adjacent property appurtenant thereto.

Held, That as to all the premises, except the two rocks or islands which were awarded to the United States, the grantee under the State patent had good title and could not be ejected.

Held, That in the absence of explicit directions the President's order could not be construed as appropriating such valuable property as that adjacent to the rocks and islands as being appurtenant thereto.

Lone Wolf v. Hitchcock. (187 U. S., 553.)

[No. 275. Argued October 23, 1902. Decided January 5, 1903.]

Lone Wolf, suing for himself as well as all other members of the confederated tribes of the Kiowa, Comanche, and Apache Indians residing in the Territory of Oklahoma, filed a bill in equity to restrain the Secretary of the Interior, the Commissioner of Indian Affairs, and the Commissioner of the General Land Office from enforcing the act of Congress of June 6, 1900, providing for the allotment and disposition of their lands, upon the ground that that act was the result of an agreement unlawfully made between certain members of the confederated tribes and the representatives of the United States, and which agreement had not been executed as required by the Medicine Lodge

treaty of 1867. The application for an injunction was denied below, and this ruling was approved by the Supreme Court for the reasons indicated in the syllabus.

> The provisions in article 12 of the Medicine Lodge Treaty of 1867 with the Kiowa and Comanche Indians, to the effect that no treaty for the cession of any part of the reservation therein described, which may be held in common, shall be of any force or validity as against the Indians unless executed and signed by at least three-fourths of all the adult male Indians occupying the same, can not be adjudged to materially limit and qualify the controlling authority of Congress in respect to the care and protection of the Indians, and to deprive Congress, in a possible emergency, when the necessity might be urgent for a partition and disposal of the tribal lands, of all power to act if the assent of three-fourths of all the male Indians could not be obtained. Congress has always exercised plenary authority over the tribal relations of the Indians and the power has always been deemed a political one, not subject to be controlled by the courts.
>
> In view of the legislative power possessed by Congress over treaties with the Indians, and Indian tribal property, even if a subsequent agreement or treaty purporting to be signed by three-fourths of all the male Indians was not signed, and amendments to such subsequent treaty were not submitted to the Indians, as all these matters were solely within the domain of the legislative authority, the action of Congress is conclusive upon the courts.
>
> As the act of June 6, 1900, as to the disposition of these lands was enacted at a time when the tribal relations between the confederated tribes of the Kiowas, Comanches, and Apaches still existed, and that statute and the statutes supplementary thereto, dealt with the disposition of tribal property and purported to give an adequate consideration for the surplus lands not allotted among the Indians or reserved for their benefit, such legislation was constitutional, and this court will presume that Congress acted in perfect good faith and exercised its best judgment in the premises, and as Congress possessed full power in the matter, the judiciary can not question or inquire into the motives which prompted the enactment of such legislation.

Cherokee Nation v. Hitchcock. (187 U. S., 294.)

[No. 340. Submitted October 23, 1902. Decided December 1, 1902.]

The nature of this case and the questions decided appear from the syllabus:

> In an action brought by the Cherokee Nation to enjoin the Secretary of the Interior from leasing oil lands held for the benefit of said nation under section 13 of the act of Congress approved June 20, 1898, it is not necessary to join as parties defendants the persons or corporations to whom the Secretary proposes to make the leases.
>
> The act of Congress entitled "An act for the protection of the people of the Indian Territory, and for other purposes," approved June 28, 1898, which by section 13 thereof gives the Secretary of

the Interior exclusive power over oil, coal, asphalt, and other minerals in said Territory, and authorizes him to make leases of oil, coal, asphalt, and other minerals under certain prescribed conditions, the royalties and rents to be paid into the Treasury of the United States to the credit of the tribe to which they belong, is, notwithstanding the provisions of the treaties with the Cherokee Nation, a valid exercise of power vested in Congress and fully authorizes the Secretary of the Interior to make such leases in the manner prescribed in the act.

This court has already (*Stephens* v. *Cherokee Nation*, 174 U. S., 445) sustained the validity of the act of Congress of June 28, 1898, and the precedent of correlative legislation, wherein the United States practically assumed the full control over the Cherokees, as well as the other nations constituting the Five Civilized Tribes, and took upon itself the determination of membership in the tribes for the purpose of adjusting their rights in the tribal properties. That decision necessarily involves the further holding that Congress is vested with authority to adopt measures to make the tribal property productive, and secure therefrom an income for the benefit of the tribe.

Under the treaties with, and patents issued to, the Cherokee Nation, whatever of title has been conveyed has been to the Cherokees as a nation. And no title to any land is in any of the individuals, although held by the tribe for the common use and equal benefit of all the members.

This court is not concerned with the question whether the act of June 28, 1898, is wise or will operate beneficially to the interest of the Cherokees, as the power which exists in Congress to administer upon, and guard, the tribal property is political and administrative in its nature, and the manner of its exercise is a question within the province of the legislative branch to determine and is not one for the courts.

Shurtleff v. United States. (189 U. S., 311.)

[No. 76. Argued January 20, 1903. Decided April 6, 1903.]

This was a suit brought in the Court of Claims to recover salary as a member of the Board of General Appraisers, appointed under section 12 of the customs administrative act of June 10, 1890 (26 Stat., 136). The question involved was the authority of the President to remove the claimant from office, i. e., whether the power of removal was constitutionally incident to the power of appointment and not limited in any way by the customs administrative act. The court, without deciding whether Congress could deprive the President of the right of removal of an executive officer, duly appointed and confirmed by the Senate, held that nothing contained in the customs administrative act operated as a restraint of the exercise of that power. The syllabus follows:

Where Congress creates an office and provides for the removal of the incumbent at any time for inefficiency, neglect of duty, or malfeasance in office, if the removal of the officer is sought to be

made for any of those causes, he is entitled to notice and a hearing; but if the President removes him without giving him notice and an opportunity to defend himself, it must be presumed that the removal was not made for any of the causes assigned in the statute.

In the absence of constitutional or statutory provision the President can, by virtue of his general power of appointment, remove an officer, even though he were appointed by and with the advice and consent of the Senate. This power (assuming, but not deciding, that Congress could deprive the President of the right to exercise it in such a case as this) can not be taken away by mere inference or implication, and in the absence of plain language in the statute Congress will not be presumed to have taken it away.

Under section 12 of the customs administrative act of June 10, 1890, providing for the appointment of general appraisers and their removal by the President for inefficiency, neglect or malfeasance in office, the President may also remove such officers without any of the causes specified, under his general power of removal.

Ambrosini v. United States. (187 U. S., 1.)

[No. 14. Argued December 4, 1901. Decided October 20, 1902.]

This was a writ of error brought to reverse a judgment of the district court of the United States for the northern district of Illinois, imposing a fine upon a conviction of an offense under section 7 of the war-revenue act of 1898. Ambrosini was charged with having executed certain bonds as prerequisites to the issue of licenses permitting the sale of liquor without affixing thereto the revenue stamps claimed to have been required by said act. The judgment of the lower court was reversed and the cause remanded with direction to quash the indictment. The syllabus follows:

Sections 6 and 7 of the war-revenue act of 1898 (30 Stat., 448, ch. 448) provided for certain stamp taxes on bonds, and other instruments enumerated in Schedule A of the act, but section 17 of the same act exempted "all bonds, debentures, or certificates of indebtedness issued by the officers of the United States Government, or by the officers of any State, county, town, municipal corporation, or other corporation exercising the taxing power."

The "dramshop act" of Illinois and the Revised Code of Chicago provided for the giving of bonds by all applicants to whom licenses were granted to sell liquor in the city of Chicago. Ambrosini gave two such bonds as required by the State statute, but failed to affix thereto United States revenue stamps, and was indicted for an offense under the war-revenue act, tried, found guilty and sentenced to pay a fine after a motion to quash the indictment had been overruled. *Held*, error, and that the indictment should have been quashed.

The general assembly of Illinois in enacting the dramshop act legislated "against the evils arising from the sale of intoxicating liquors" not by prohibiting, but by regulating, the traffic, and such legislation was in exercise of the police power which is

reserved to the States free from any Federal restriction material in this action.

Such legislation (and ordinances of the city of Chicago) required bonds to be given by applicants as prerequisites to the issue of licenses permitting sales, and the granting of the license was a strictly governmental function and the giving of the bonds was a part of the same transaction, and to tax either would be to impair the efficiency of State and municipal action; this case, therefore, falls within the general principle that as the means and instrumentalities employed by the General Government to carry into operation the powers granted to it are exempt from taxation by the States, so are those of the States exempt from taxation by the General Government, and viewed by the light of this principle the bonds in question were exempted by section 17 of the war-revenue act.

Smythe v. United States. (188 U. S., 156.)

[No. 88. Argued November 12, 1902. Decided January 26, 1903.]

The facts in this case and the conclusions of the court are fully stated in the syllabus:

An action upon the official bond of a superintendent of the mint at New Orleans, conditioned among other things that he would "faithfully and diligently perform, execute, and discharge all and singular the duties of said office according to the laws of the United States" and "receive and safely keep, until legally withdrawn, all moneys or bullion which shall be for the use or expenses of the mint." The claim was that the defendant had received and not paid over to the United States $25,000 in Treasury notes which had come to his hands. The defense was that the Treasury notes had been totally destroyed by fire, without any negligence on the part of the superintendent, except that $1,182 of such notes had been recovered in a charred condition and turned over to the United States, being in such condition that they could be identified as to amount and date of issue. *Held:*

(1) That the obligations of the superintendent were not determinable by the law of bailment but by the terms of his bond, and he could not escape responsibility for Treasury notes that came to his hands and which were lost, unless such loss was attributable to overruling necessity or the public enemy; that their loss by reason of fire constituted no defense.

(2) No deduction could be allowed on account of the $1,182 of charred notes, because no previous application had been made to the proper accounting officers for the allowance of such a credit.

(3) The superintendent was liable on his bond for interest at 6 per cent from the date on which his accounts were stated at the Treasury Department.

Sena v. United States. (189 U. S., 233.)

[No. 40. Argued January 16, 1903. Decided April 6, 1903.]

This case, on appeal from the Court of Private Land Claims (and probably the last from that court), was brought for the confirmation

of a tract of land in the county of Santa Fe, N. Mex., known as the Jose de Leyba grant. The conclusions of the court are stated in the syllabus:

> 1. Where the boundaries of a Spanish grant made in 1728, are defined with accuracy they will not be controlled by vague and practically unintelligible terms as to quantity.
>
> 2. While, owing to the loose manner in which they were made and the boundaries described, this court has been extremely liberal in construing Spanish grants, such grants must still be construed favorably to the Government, and the grantee is bound to show not only the grant itself, but that its boundaries were fixed with reasonable certainty; and where the Court of Private Land Claims has held that the evidence of settlement, occupation, continuity of possession, cultivation, etc., is so vague, contradictory, and uncertain as to be almost wanting, this court in the absence of clear evidence to the contrary will adopt the opinion of the court below in that particular.
>
> 3. Where the last known occupant of a Spanish grant, made in 1728, had been killed by the Indians in 1839, and when the land passed to the United States under the treaty of 1848 with Mexico possession had been abandoned by his descendants for at least nine years and no action was taken by anyone in regard to the grant until 1899, and meanwhile the public-land surveys were extended over the tract in 1861, homestead and other entries were made, improvements established, patents secured and mines opened and developed, the doctrine of laches is peculiarly applicable, and under the provisions of the statute establishing it, the Court of Private Land Claims could not be called upon to confirm such a grant.

BUSINESS IN OTHER COURTS.

The reports of Assistant Attorney-General Pradt, Assistant Attorney-General Thompson, Assistant Attorney-General Fuller, and United States Attorney Reynolds show what has been the volume of business in general cases before the Court of Claims, in the Indian depredation cases, in claims before the Spanish Treaty Claims Commission, and before the Court of Private Land Claims, respectively, and the prompt and efficient manner in which that business has been conducted on the part of the Government.

I refer to these reports for detailed information.

COMMISSION TO REVISE AND CODIFY THE CRIMINAL AND PENAL LAWS.

The commissioners to revise the general and permanent laws of the United States report (Exhibit 6) that during the past year they have prepared, in pursuance of the act of March 3, 1901, the following titles: "The Army," "The militia," "The Territories," "Duties on imports," "Collection of duties," "Internal revenue," "Debts due by and to the United States," "Coinage, weights, and measures," "The

currency," "Legal tender." "The public moneys," "Appropriations," "The public debt," "Public contracts," "The Postal Service." "Foreign relations," "Commerce and navigation." "Regulation of vessels in foreign commerce," "Regulation of vessels in domestic commerce," "Regulation of fisheries," "Regulation of steam vessels," "Merchant seamen," and "Prize." They represent that their labors would be facilitated if Congress would enter upon the early consideration of the revision of the judicial title which was submitted two years ago. Referring to the confusion in which certain titles, especially "The Army" and "Commerce and navigation," are involved by reason of recent legislation, they recommend that they be instructed to report them in advance of the general revision, to the end that they may be considered and acted upon by Congress, and the laws on those subjects embodied in coherent and intelligible statutes at the earliest possible day.

SOLICITOR OF THE TREASURY.

The report of the Solicitor of the Treasury (Exhibit 4) shows the amount, character, and results of litigation conducted under his direction for the fiscal year ending June 30, 1903. The whole number of suits decided or otherwise disposed of during the year was 5,122; the amount of judgments obtained was $511,066.93, and the amount collected therein was $340,970.31, besides $67,474 collected on claims of the Government not in litigation. The Solicitor renews his recommendation that section 773, Revised Statutes, be amended so as to require United States attorneys to forward the annual report sent to his office on the 1st day of September in each year, instead of October. He also recommends that the status of the force in his office be changed by providing for another law clerk at $2,000 per annum and reducing the number of $1,800 clerks by one. I approve both these recommendations.

LIBRARY.

The librarian calls attention (Exhibit 8) to a set of records and briefs in cases decided by the Supreme Court of the United States which has been offered for sale to this Department. The set consists of between 1,100 and 1,200 bound volumes, covering the October terms, 1874 to 1902, inclusive. These briefs contain the results of the research of the best legal talent in the country, probably, on all points involved in cases decided by the Supreme Court during the period named, and it is impossible to estimate the value of such a set of books to this Department. In all reasonable probability a similar opportunity will never again be presented to the Department, and I earnestly recommend their purchase. The price, $6,500, is very reasonable, consider-

ing the number of volumes in the set and the character of matter therein contained.

I also concur in the librarian's suggestion that Congress should provide for a further distribution of United States Reports, so as to include United States attorneys and certain officers of this Department not otherwise provided; also, in his suggestion that the Federal Reporter should be distributed in practically the same manner as the United States Reports. These officers have perhaps as frequent use for the Federal Reporter as for the United States Reports. There can be no doubt that an intelligent, harmonious, and expeditious conduct of the business of these courts requires that these officers be supplied with the reports of their own courts. I trust that something may be done in both of these directions during the present session of Congress.

REPORT OF THE ATTORNEY-GENERAL OF PORTO RICO.

Under the provisions of section 21 of the act approved April 12, 1900, "An act temporarily to provide revenues and a civil government for Porto Rico, and for other purposes," I have transmitted to Congress the report of the attorney-general of Porto Rico, and have also included it in this report as Exhibit 28.

UNITED STATES PRISONERS.

Exhibit 18, with this report, shows where United States prisoners have been confined during the year, the districts in which they have been convicted, the number from each district, and the total number in each institution.

On July 1, 1902, there were 3,190 United States convicts in the various prisons and reformatories of the country. At the close of the last fiscal year, June 30, 1903, there were 3,240.

Of the total number in confinement June 30, 1903, 1,033 were in the United States penitentiary at Fort Leavenworth, Kans., 472 in the United States penitentiary at Atlanta, Ga., and 99 in the prison at McNeil Island, Wash. The remainder, 1,636, were in the various State institutions used for the purpose.

STATISTICS.

Number of prisoners received during the year in penitentiaries.

In confinement on June 30, 1902	3,190
Received during year ended June 30, 1903	1,608
Total number in custody	4,798
Discharged during year	1,558
In confinement on June 30, 1903	3,240

Discharged during the year:	
On expiration of sentence	
Died	
Pardoned or commuted	
Transferred or escaped	4
Released by writ of habeas corpus	14
Transferred to insane asylum	11
	1,558
Of those received during the year:	
Convicted of violations of revenue laws	111
Counterfeiting	167
Violation of postal laws	236
Introducing liquor into Indian country or selling liquor to Indians	187
Violating laws relating to pensions	20
Larceny	353
Murder and manslaughter	67
Embezzlement	45
Perjury	24
Forgery	29
Robbery and burglary	76
Offenses other than those named	293
	1,608
Born in United States	1,414
Foreign born	194
Males	1,583
Females	25
Claimed to be temperate	1,240
Admit themselves to be intemperate	368
White	1,110
Colored	333
Indians and Chinese	132
Could read and write	1,169
Could read only	72
Could neither read nor write	367
Married	660
Single	948
In prison for first time	1,412
Heretofore served sentence	196
Received under 20 years of age	244
Between 20 and 30	672
Between 30 and 40	387
Between 40 and 50	170
Over 50 years of age	135
Of those in prison June 30, 1903:	
Idle	427
Disabled or sick	86
Employed on piece-price	467
Employed on State account	574
Employed on prison duties	1,686
	3,240

UNITED STATES PENITENTIARY, FORT LEAVENWORTH, KANS.

The total expense of maintenance for the year ending June 30, 1903, was $164,986.12, the average cost per capita being $183.67, and the average daily cost for subsistence alone 11 cents.

The inmates have been employed during the past year in the performance of the usual prison duties, cultivation of the prison farm, and in the erection of buildings and wall at the new penitentiary site. The farm crops have been much less than usual because of extraordinary floods in the Missouri River destroying all the spring crops. This will much affect the cost of maintenance during the next year.

The report of the warden appears as Exhibit 19.

UNITED STATES PENITENTIARY, ATLANTA, GA.

The number of prisoners in confinement at this penitentiary on June 30, 1903, was 472; an increase of 125 over the previous year. The average daily cost of subsistence was $11\frac{38}{100}$ cents.

Of the additional buildings under contracts made during the year, the warden's residence has been completed and the others are well under way.

The report of the warden accompanies this report as Exhibit 20.

PENITENTIARY AT McNEIL ISLAND, WASHINGTON.

In my last report I said, in part, as follows:

> Since 1890 this prison has been conducted under direction of the marshal for the district of Washington as a place of confinement for United States prisoners from Washington and neighboring districts.
>
> Agents of the Department who have visited the institution in the past year report the place as practically unfit for the purposes of a penitentiary, and that it is not easily accessible, being on an island some 3 miles from the mainland. It will be necessary soon to transfer a number of prisoners to some other institution because of the overcrowded condition, and it may be wise and for the best interests of the Government to discontinue its use entirely in the near future. The building is small, with more of the characteristics of a jail than an ordinary prison, while the inmates are practically unemployed.

This matter was brought to the attention of Congress in former reports, and at the last session a small appropriation was made for procuring additional land and for other purposes connected with the institution. If it is determined that provision shall be made in the near future for the erection of the third United States prison provided for by the act of March 3, 1891, I think that the site on McNeil Island should be abandoned and a suitable one selected upon the mainland.

UNITED STATES JAIL, DISTRICT OF COLUMBIA.

The report of the warden (Exhibit 23) accompanies this report. During the past fiscal year the institution has been conducted with the same regard to economy and with the same care on the part of the officials for the interests of the Government as in former years, perhaps more so.

The jail is old, without modern improvements, and of insufficient capacity for the present needs. Something should be done at once toward remedying the present defects in construction, increasing its capacity, and providing a suitable dining hall, so that the present system of feeding the prisoners can be done away with.

REFORM SCHOOL, DISTRICT OF COLUMBIA.

The report of the board of trustees of the Reform School of the District of Columbia (Exhibit 21) shows that at the beginning of the last fiscal year there were in the school 250 boys. There were received during the year 171, a total of 421, as against 409 for the previous year. There were discharged during the year 151, leaving in the school June 30, 1903, 270.

I agree with what the trustees say as to the method of appropriating for the salaries of the school employees and as to the absolute necessity for the erection of a new family building, and indorse both of these recommendations. Congress should act upon them both at the present session.

REFORM SCHOOL FOR GIRLS.

The report of the board of trustees of the Reform School for Girls, District of Columbia (Exhibit 22), shows that a larger number of inmates have been confined in the school during the year ending June 30, 1903, than during any other year since the erection of the school; that there was an increase in the number of colored inmates from 61 on July 1, 1902, to 70 on June 30, 1903, and a decrease in the number of white inmates from 5 on July 1, 1902, to 3 on June 30, 1903.

It appears from the report of the board of trustees that it is difficult to obtain and retain competent industrial teachers at the salaries now provided by law. It also appears by the report that these salaries are below the average salaries paid for similar services in other institutions, and I recommend that the salaries of these industrial teachers be increased from $300 per annum to $420. I also recommend that an additional industrial teacher be provided.

EXHIBITS ACCOMPANYING THIS REPORT.

Exhibit 1 is the report of the assistant attorney-general in charge of the business of the Government in the Court of Claims.

Exhibit 2 is the report of the assistant attorney-general in charge of Indian depredation claims.

Exhibit 3 is the report of the assistant attorney-general in charge of the business of the Government before the Spanish Treaty Claims Commission.

Exhibit 4 is the report of the Solicitor of the Treasury showing the amount, character, and results of the litigation under his direction for the fiscal year ending June 30, 1903.

Exhibit 5 is the report of the United States attorney for the Court of Private Land Claims.

Exhibit 6 shows the labors of the Commission to revise the laws of the United States since November 10, 1902.

Exhibit 7 is the report of the attorney in charge of pardons, showing the names of the prisoners convicted in the United States courts who were pardoned during the fiscal year ending June 30, 1903, the districts in which they were tried, the term of court at which they were convicted, their offenses, sentences, dates of pardon, and the principal reasons for recommending Executive clemency.

Exhibit 8 is the report of the librarian.

Exhibit 9 is a report on bankruptcy matters.

Exhibit 10 is a tabular statement showing the number of cases, civil, and criminal, before the United States circuit courts of appeals during the fiscal year 1903, with the number disposed of.

Exhibit 11 is a statement of the civil suits to which the United States is a party, terminated in the circuit and district courts of the United States during the fiscal year ending June 30, 1903, and of such suits pending in said courts July 1, 1903, as reported by the district attorneys.

In 544 of the 1,694 civil suits terminated during the last fiscal year judgments were for the United States, in 105 against the United States, and 375 were either dismissed or discontinued; 78 were appealed to the circuit court or to the circuit court of appeals, and 22 to the Supreme Court.

Many of the civil suits reported dismissed were settled by authority of the Treasury Department and discontinued under its direction. There were pending July 1, 1903, 3,650 civil suits to which the United States was a party.

Exhibit 12 is a statement of the criminal prosecutions terminated in the circuit and district courts of the United States during the last fiscal year and of such prosecutions pending July 1, 1903.

Of the 16,034 criminal prosecutions terminated during the last year 299 were prosecutions under the customs laws, in which there were 212 convictions, 12 acquittals, and 75 were entered nolle prosequi, discontinued, or quashed; 4,146 under the internal-revenue laws, in which there were 2,604 convictions, 571 acquittals, and 971 were entered

nolle prosequi, discontinued, or quashed; 1,289 under the post-office laws, in which there were 898 convictions, 103 acquittals, and 288 entered nolle presequi, discontinued, or quashed; 102 under naturalization acts, in which there were 48 convictions, 12 acquittals, and 42 entered nolle prosequi, discontinued, or quashed; 1,545 under the intercourse laws, in which there were 983 convictions, 306 acquittals, and 256 entered nolle prosequi, discontinued, or quashed; 211 under the pension laws, of which there were 110 convictions, 19 acquittals, and 82 entered nolle prosequi, discontinued, or quashed; 42 for embezzlement, of which there were 28 convictions, 5 acquittals, and 9 entered nolle prosequi, discontinued, or quashed; 8,400 miscellaneous prosecutions, in which there were 5,423 convictions, 719 acquittals, and 2,258 entered nolle prosequi, discontinued, or quashed.

In many of the prosecutions under the internal-revenue laws entered nolle prosequi, discontinued, or quashed, a compromise and settlement were made in the Internal-Revenue Bureau of the Treasury Department.

Of the 11,043 criminal prosecutions pending July 1, 1903, 125 were for violation of customs laws, 3,629 for violation of internal-revenue laws, 856 for violation of post-office laws, 9 under the election laws, 86 under the naturalization laws, 1,327 under the intercourse laws, 170 under pension laws, 71 for embezzlement, and 4,779 miscellaneous prosecutions.

Exhibit 13 shows the amount arising and realized from civil suits to which the United States was a party and from criminal prosecutions in the circuit and district courts of the United States during the last fiscal year.

The aggregate amount of the judgments rendered in favor of the United States in civil suits pending the last year was $917,693.11, and the amount actually collected on these judgments was $420,400.41, while $59,551.69 was obtained during the year on judgments rendered in former years for the United States, and $74,426.19 was otherwise realized in civil suits.

The aggregate amount of fines, forfeitures, and penalties imposed during the year in criminal prosecutions was $641,098.02, and the amount of these fines, forfeitures, and penalties collected during the year was $197,467.88, while $7,634.35 was realized on fines, forfeitures, and penalties imposed in former years.

Exhibit 14 is a statement of civil suits to which the United States was not a party commenced and terminated in the circuit and district courts of the United States during the last fiscal year; and of such suits pending July 1, 1903, 11,952 were commenced during the year, of which 1,668 were cases in admiralty and 10,284 were other miscellaneous suits.

Judgments for plaintiffs in these cases were as follows: Seven hun-

dred and six in admiralty, amounting to $1,216,859.85, and 3,548 in other suits, amounting to $22,904,585.19.

Judgments for defendants were 95 in admiralty, amounting to $21,790.35, and 906 in other suits, amounting to $203,230.41; 716 in admiralty were either dismissed or discontinued, as were also 4,555 other suits; 40,875 civil suits to which the United States was not a party were pending in the district and circuit courts of the United States July 1, 1903, viz, 5,085 in admiralty and 35,741 other miscellaneous suits.

Exhibit 15 is a general statement of all appropriations placed under the Department of Justice which were available and those from which payments were made during the fiscal year ending June 30, 1903.

Exhibit 16 is a statement of the court expenses incurred in the fiscal year 1900 and paid in the fiscal year 1903.

Exhibit 16*a* is a statement of the court expenses incurred in the fiscal year 1901 and paid in the fiscal year 1903.

Exhibit 16*b* is a statement of the court expenses incurred in the fiscal year 1902 and paid in the fiscal year 1903.

Exhibit 16*c* is a statement of the court expenses incurred and paid in the fiscal year 1903.

Exhibit 16*d* is a statement showing items, amounts, cause of expenditure, and persons paid from the appropriations for contingent expenses, Department of Justice, including the appropriations for furniture and repairs, books for Department library, books for office of the Solicitor of the Treasury, stationery, official transportation, and miscellaneous items.

Exhibit 17 shows the number of special assistant attorneys and the compensation paid each, as required by section 385, Revised Statutes.

Exhibit 18 is a detailed statement giving names of the institutions where United States prisoners are confined, their location, and the number of convicts in each.

Exhibit 19 is the report of the warden of the United States penitentiary at Fort Leavenworth.

Exhibit 20 is the report of the warden of the United States penitentiary at Atlanta, Ga.

Exhibit 21 is the report of the president of the board of trustees of the Reform School of the District of Columbia for the fiscal year ending June 30, 1903.

Exhibit 22 is the report of the president of the board of trustees of the Girls' Reform School of the District of Columbia for the fiscal year ending June 30, 1903.

Exhibit 23 is the report of the warden of the United States jail in the District of Columbia.

Exhibit 24 is the report of the Superintendent of the Capitol Building and Grounds upon the improvements and repairs in the court-

house, District of Columbia, during the fiscal year ending June 30, 1903.

Exhibit 25 is a statement showing, by districts, the annual salaries of United States district attorneys, their assistants and clerks, and the expenses claimed and approved by this Department for the fiscal year 1903.

Exhibit 26 is a statement showing, by districts, the salaries paid to United States marshals, their deputies and clerks, their expenses of travel and subsistence, as claimed and as approved, and the fees earned and compensation payable out of said fees, as claimed and as approved, together with amounts paid to clerks of United States courts for deposit for the fiscal year 1903.

Exhibit 27 is a statement showing emoluments and office expenses of clerks of the United States courts, as indicated by their emolument returns, for the fiscal year ending June 30, 1903.

Exhibit 28 is the report of the attorney-general of Porto Rico.

Exhibit 29 is the presentment of the Federal grand jury lately in session in New York City, in relation to the naturalization of aliens.

Exhibit 30 is the report of the special examiner of this Department in relation to the naturalization of aliens.

Exhibit 31 is the report of the special attorney in charge of matters relating to the Mission Indians.

The exhibits are a part of this report.

P. C. KNOX,
Attorney-General.

REPORT

OF

THE POSTMASTER-GENERAL.

POST-OFFICE DEPARTMENT,
Washington, D. C., December 30, 1903.

The PRESIDENT:

The annual report of the Post-Office Department for the fiscal year ended June 30, 1903, shows the following as a result of the financial operations of the Department for that year, compared with the previous fiscal year:

Comparison of receipts and expenditures for the fiscal year ended June 30, 1903, with those for the previous year.

	1902.	1903.
Ordinary postal revenue	$119,958,229.40	$131,984,535.00
Receipts from money-order business	1,889,817.86	2,239,908.24
Total receipts from all sources	121,848,047.26	134,224,443.24
Total expenditures for the year	124,785,697.07	138,784,487.97
Excess of expenditures over receipts	2,937,649.81	4,560,044.73

An increase in the deficit over the previous year of $1,622,394.92, which is, however, $1,042,183 less than the estimated deficit for the year.

ESTIMATES.

The estimate of the revenues and expenditures of the Department for the fiscal year ending June 30, 1905, which has been transmitted to the Secretary of the Treasury, is as follows:

Total postal revenue, year ending June 30, 1903	$134,224,443.00
Add 9 per cent	12,080,199.87
Estimated revenue for 1904	146,304,642.87
Appropriation for 1904	153,511,549.75
Estimated deficit for 1904	7,206,906.88

Estimated revenue for 1904	$146,304,642.87
Add 9 per cent	13,167,417.85
Estimated revenue for 1905	159,472,060.72
Estimated expenditures for 1905	168,085,770.00
Estimated deficit for 1905	8,613,709.28

This estimate is based upon the ordinary business of the service, without taking into consideration the effect upon the revenues or expenses of any legislation which may be enacted by the present Congress.

It will be seen that the gross revenues for the fiscal year ended June 30 last are nearly $1,500,000 in excess of the estimates, which attests the wonderful business activity of our people and also indicates that the extension of postal facilities and the improved methods of doing postal business result in largely increased receipts, and were it not for the very large expenditures on account of the introduction of rural free delivery there is no question but that the Post-Office Department would be more than self-sustaining at the present time.

POSTAL REVENUE IN DETAIL.

The postal revenue from all sources was as follows:

Sales of stamps, stamped envelopes, newspaper wrappers, and postal cards	$123,511,549.70
Second-class postage (pound rates) paid in money	5,095,379.62
Box rents	3,065,675.06
Revenue from money-order business	2,239,908.24
Letter postage paid in money, principally balances due from foreign postal administrations	186,426.83
Miscellaneous receipts	58,105.94
Fines and penalties	46,476.04
Receipts from unclaimed dead letters	20,921.81
Total receipts	134,224,443.24

EXPENDITURES IN DETAIL.

The expenditures of the postal service for the year are shown, by items, in the following statement:

Transportation of mails on railroads	$36,195,116.18
Compensation to postmasters	21,631,724.04
Free-delivery service	19,337,986.00
Compensation of clerks in post-offices	17,140,651.11
Railway mail service	11,228,845.75
Rural free delivery	8,011,635.48
Transportation of the mails on star routes	6,561,819.35
Railway post-office car service	5,033,464.22
Transportation of foreign mails	2,427,160.36
Rent, light, and fuel for first, second, and third class post-offices	2,360,968.91
Compensation to assistant postmasters at first and second class post-offices	1,622,730.12

Mail-messenger service	$1,091,259.98
Transportation of mails—regulation, screen, or other wagon service	828,707.93
Manufacture of stamped envelopes	724,787.37
Transportation of mails on steamboats	634,957.08
Mail depredations and post-office inspectors	543,976.55
Transportation of the mails, electric and cable cars	440,420.41
Manufacture of postage stamps	336,437.10
Mail bags and catchers	274,219.71
Miscellaneous items at first and second class offices	256,620.98
Canceling machines	195,803.46
Manufacture of postal cards	188,865.98
Balances due foreign countries	153,539.82
Registered package, tag, official, and dead-letter envelopes	150,754.82
Pneumatic-tube service	142,867.04
Payment of money orders more than one year old	141,390.68
Wrapping twine	132,635.47
Transportation of the mails, special facilities	122,347.18
Blanks, blank books, etc., for money-order service	112,179.20
Stationery for postal service	68,760.66
Postal laws and regulations	51,826.48
Printing facing slips, slide labels, etc	46,862.47
Postmarking and rating stamps	42,572.95
Mail locks and keys	42,534.33
Wrapping paper	39,835.04
	138,316,264.21
Expenditures under 24 smaller items of appropriation	175,202.06
Total expenditures for the year	138,491,466.27
Add expenditures during the year on account of previous years	293,021.70
Total expenditures during the year	138,784,487.97
Excess of expenditures over receipts	4,560,044.73
Receipts	134,224,443.24

RECEIPTS AND EXPENDITURES BY DECADES.

Taking up by decades the receipts and expenditures of the post-office service since 1792, these results are shown:

Year.	Number of offices.	Receipts.	Expenditures.	Surplus.	Deficit.
1792	195	$67,443	$54,530	$12,913	
1802	1,114	327,044	269,866	57,178	
1812	2,610	649,208	540,165	109,043	
1822	4,709	1,117,490	1,167,572		$50,082
1832	9,205	2,258,570	2,266,171		7,601
1842	13,733	4,546,849	5,674,752		1,127,903
1852	20,901	6,925,971	7,108,459		182,488
1862	28,875	8,299,821	11,125,364		2,825,543
1872	31,863	21,915,426	26,658,192		4,742,766
1882	46,231	41,883,005	40,482,021	1,400,984	
1892	67,119	70,930,475	76,980,846		6,050,371
1902	75,924	121,848,047	124,785,697		2,936,649
For the year—					
1903	74,169	134,224,443	138,784,487		4,560,044

PROPOSED ADDITION TO PRESENT DEPARTMENT BUILDING.

Congress at its last session passed an act looking toward the purchase of block 324, which is located immediately south of the present department building, for the purpose of erecting thereon an annex to the department building. The phenomenal growth of the postal service and the consequent increase in the business of the Department makes it more and more imperative that this addition to the present department building should be constructed at an early date. The Department is at present at great inconvenience, occupying several buildings and parts of buildings located at considerable distances from the main office, and paying a large amount of rental therefor, which buildings are not fireproof. I therefore most earnestly urge upon the Congress the enactment of suitable legislation to acquire the title to the property referred to.

PAY AND HOURS OF CLERKS IN POST-OFFICES.

As stated in my last annual report, the Department had been endeavoring during the fiscal year ending June 30, 1902, to better, wherever possible, the conditions of the postal employees, especially so in the cases of clerks in post-offices, there having been, in my opinion, very great inequalities and injustice in the compensation of this class of employees. To remedy this inequality more than 12,000 clerks were promoted during the fiscal year ending June 30, 1902, nearly all of whom were receiving less than $1,000 per year compensation, and it was the intention of the Department to continue this equalization and promotion in the lower grades of clerks during the fiscal year ending June 30, 1903, but for the reasons hereinafter stated it was found impossible to do so, much to my regret. In order to enable the Department to deal in a practical way with this subject, I earnestly recommend that Congress make a "lump sum" appropriation for clerks in first and second class post-offices, instead of appropriating for clerks by grades as at present.

The acts of Congress making appropriations for the service of the Post-Office Department for the fiscal year ended June 30, 1900, and subsequent years, have defined and specified the number of clerks in each grade in first and second class post-offices from $100 to $3,200. Prior to July 1, 1899, the appropriations for clerks had been made in a lump sum. The present plan originated in Congress, and is in line with the method of making appropriations for the Executive Departments. Although this segregated appropriation became effective July 1, 1899, it was not put in operation until July 1, 1903. Apparently the Department found it impracticable to fit the number of clerks in first and second class offices to the number fixed in each grade in the appropriation, and the law was therefore construed to mean that so

long as the total appropriation was not exceeded it made no particular difference whether there were more clerks in one grade than appropriated for by Congress. The records show that on July 1, 1899, the number of clerks in certain grades exceeded the number defined in the appropriation, and no attempt to comply strictly with the law was made until the beginning of the present fiscal year.

APPLICATION OF THE LAW.

A proper construction of the law had been requested of the Comptroller of the Treasury, who decided that the Department was not authorized to allow a greater number of clerks in any one grade than specified in the appropriation law, increased by 5 per cent.

It then became necessary to fit the number of clerks in first and second class post-offices into the grades fixed by Congress, and our experience has clearly demonstrated that this method of appropriating for the general postal service is cumbersome and unsatisfactory, if not wholly impracticable. While no clerk was actually reduced in salary, it was necessary to cancel more than 3,400 promotions previously authorized. In certain grades all promotions recommended by postmasters were allowed; in other grades very few, thus causing great dissatisfaction among the clerks. It was difficult to explain to the clerks why promotions from $900 to $1,000 were allowed, and promotions from $800 to $900 refused. In some instances we were compelled to jump grades, allowing $200 promotions, and many of the additional clerks were allowed at higher salaries than recommended by the postmasters—a seeming extravagance. We are now paying out of the appropriations for temporary clerks and for substitutes in place of clerks on vacation; 250 regular clerks at $600 each, an unsatisfactory method, but absolutely necessary under present conditions, in order not to cripple the postal service. However, after taking advantage of the 5 per cent transfer clause in the law, the number of clerks does not now exceed in any grade the number fixed by Congress.

EXTRAVAGANT ESTIMATES NECESSARY.

It is difficult to estimate the exact sum necessary for the postal service eight months before the beginning of the fiscal year in which the appropriation is to be used, but to estimate the actual number of clerks in each grade is a greater difficulty. It is manifestly impossible to estimate just how many clerks will be required in each grade in 1,473 first and second class post-offices July 1, 1904, and throughout the fiscal year. We do not know how many first and second class post-offices there will be July 1, 1904, and we must therefore ask for a greater number of places than we will probably use, to allow a safe margin in each grade.

The postal service is growing with great strides. A large post-

office may have sufficient clerical force at the beginning of the fiscal year, July 1; on October 1 it may need 100 additional regular clerks; on January 1, 50 more, and so on. If the appropriation be made in a lump sum, we will allow such additional clerks as are needed July 1, and at any subsequent date increase the number economically. Under a segregated appropriation, however, we must allow all the additional clerks on July 1, or else carry along in the appropriation several hundred vacancies in order to provide for the growth of the service. Therefore we must not only estimate for more clerks in each grade than will be needed, but we must estimate for nearly twice as many additional clerks as will be required under a lump sum appropriation. There will be turned back into the Treasury this year out of the present segregated appropriation at least $200,000, and probably a much greater sum.

MAXIMUM SALARIES FIXED BY LAW AND ADDITIONAL LEGISLATION UNNECESSARY.

The number of vacancies existing in the higher grades (from $1,600 to $2,700) is conclusive evidence that it is not the policy of the Department to allow extravagant salaries to clerks in post-offices.

The present method of segregating the appropriation into grades involves a large amount of unnecessary bookkeeping both in the salary and allowance division and in the auditor's office.

DIFFICULTY OF COMPLYING WITH THE LAW.

Clerks in post-offices are not nominated by the Department, but by postmasters, and we thus have to deal with 1,473 appointing officers. If, for instance, our books show that we have exactly the number of clerks in each grade fixed by law and a $900 clerk in a small post-office resigns, in order to preserve the correct number it is essential that a $900 clerk be appointed to the vacancy. It might happen that no one in the office was entitled to a promotion and that the vacancy could best be filled by appointing two clerks, one at $400 and one at $500, or that one clerk would be satisfactory. But this economical method of filling the vacancy could not be permitted, since the grades would be exceeded.

A LUMP SUM APPROPRIATION FOR THE LOWER GRADES AND A SEGREGATION OF THE GRADES ABOVE $1,200.

This plan has been suggested as a compromise, but nearly all the objections apply, though in a less degree. The number of clerks above $1,200 under the present law is 1,400. Changes in the higher grades are less frequent in proportion to the number of clerks than in the lower grades, and therefore the extra work of keeping within the grades may be disregarded. On the other hand, salaries of superintendents are fixed on a percentage basis under the law; that is, the

maximum is fixed on a percentage basis, and it is impossible to estimate the number of postmasters of first-class offices that will be advanced $100 or more in salary July 1, 1904. Therefore, we will have to ask for more clerks in each grade above $1,200 than will be needed. No possible good or economy can be effected by this segregation.

In view of the importance of this subject, and the fact that it related entirely to the postal service in the local post-offices rather than to the Department proper, and for the purpose of obtaining the advice of those who had practical personal relations with the subject-matter, I appointed a committee, consisting of seven postmasters, selected from offices of different grades, located in different parts of the country, who, together with the First Assistant Postmaster-General and the Superintendent of the Division of Salaries and Allowances of the Department, carefully considered the subject-matter, and the recommendations herein made are in consonance with their report.

COMPENSATION OF CLERKS AND LETTER CARRIERS.

By Executive order dated January 31, 1902, postal employees were forbidden, either directly or indirectly, individually or through associations, to solicit an increase of pay or to influence or to attempt to influence in their own interest any other legislation whatever, either before Congress or its committees, or in any way save through the heads of the departments in or under which they serve, on penalty of dismissal from the Government service.

In consequence of this order there have been presented to the Department, by committees representing various classes of postal employees, statements setting forth the reasons why such employees deem their claims for increased compensation to be well founded. Such petitions will be at the proper time laid before Congress, together with a request that the representatives of the employees shall be given an opportunity to be heard before the proper committees of Congress.

In this connection I beg again to urge the propriety of the payment of substitute clerks and letter carriers on a different basis from that which now obtains. At present such substitutes are required to report daily to the post-office for employment and to hold themselves in readiness to be called upon at any time, and they are paid nothing unless they are called upon to perform service for clerks or letter carriers who are absent from duty. This method of payment is very unsatisfactory. It results in a very large number of the best men who seek admission to the postal service becoming dissatisfied and discouraged, in consequence of which they abandon their efforts to enter the public service, and we are left too often with employees as substitutes who are unable to obtain employment outside the Government service. It needs no argument to demonstrate that such a con-

dition of affairs is not consistent with sound public policy. I therefore earnestly recommend that Congress shall enact a law which will provide a minimum compensation of, say, $30 per month to be paid such sustitutes when the compensation of the substitute coming from the absent employee in whose place he serves shall not in any month equal $30.

The present system of paying substitutes provides that they shall receive the full compensation of the clerk or letter carrier in whose place they serve. In my opinion this arrangement works seriously to the disadvantage of the public service, in that there are retained in the postal service many aged experienced employees who have become, to a greater or less extent, superannuated, but who naturally retain their connection with the service just as long as possible, and the Department is reluctant to remove such veteran employees, the greater number of whom are veterans of the civil war, and who are receiving the highest grade of compensation as letter carriers, and generally, by reason of long service, considerable salaries as clerks. In justice to such employees, and for the good of the public service, I would recommend that where a clerk or letter carrier has been twenty-five years in the service and shall have attained the age of 65 years the Postmaster-General be empowered, upon the recommendation of the postmaster, to employ a substitute for such clerk or letter carrier, which substitute shall receive not to exceed two-thirds of his salary, the other one-third going to such clerk or letter carrier. It is believed that such action, if authorized by Congress, would not increase the appropriations for clerical hire or the letter-carrier service to any considerable extent, and would result in much better service, for the reasons stated.

MONEY-ORDER BUSINESS.

The postal money-order business continues to increase at a very rapid rate. The increase in the business in the United States for the year 1903, as compared with 1902, is as follows:

Number of money-order offices in operation 1902	31,680
Number of money-order offices in operation 1903	34,547
Number of domestic money orders issued:	
1902	40,474,327
1903	45,941,681
Amount of domestic orders issued:	
1902	$313,551,279.88
1903	$353,627,648.03
Amount of orders paid and repaid:	
1902	$315,220,488.68
1903	$353,173,320.52
Excess of receipts over expenses, paid from the proceeds:	
1902	$1,652,971.83
1903	$1,904,887.63

The international business shows a still greater increase, as compared with the preceding fiscal year, the increase in the number of orders issued being 603,038, with an increase of 446,465 in the number of orders paid, an increase of $12,263,462.32 in the amount of orders issued and an increase of $5,861,843.11 in the amount of orders paid.

POSTAL CHECKS.

The rapid extension of the rural free-delivery service increases the demand that the Government shall provide some easy, convenient, and safe method for the transmission of small sums of money through the mails, and I urge upon Congress the importance of passing some law which will insure to our people this advantage at as early a date as possible.

As the rural free-delivery service has been extended the number of letters carrying small amounts of currency has greatly increased. At present there is no convenient method provided in the rural districts for making such remittances through the mails except in currency or postage stamps, and such currency and stamp remittances are a constant temptation to those handling them.

POSTAL SAVINGS BANKS IN PORTO RICO.

My attention has been called to the necessity for providing some safe and convenient method for the people of Porto Rico to deposit their surplus earnings. At present the banking facilities on the island are very limited, and there is practically no safe way open for the people to take care of their savings.

I would suggest that Congress consider the propriety of authorizing the post-offices of Porto Rico to receive moneys in small amounts on deposit, giving thereon a rate of interest not to exceed 2 per cent per annum.

PRIVATE LETTER BOXES.

In view of the unlawful uses to which private letter boxes, established in large cities to be rented for the receipt of correspondence, etc., have been put, it is recommended that a law be enacted to prohibit the establishment and maintenance of boxes to be rented for the receipt of mail without authority from the Post-Office Department.

EXPLOSIVES IN THE MAILS.

There is frequently deposited in the mails explosive, inflammable, or other matter liable to destroy mail or injure postal employees or persons to whom such matter is delivered.

A penalty should be provided by law for the mailing of explosive or inflammable material. The Department holds such matter to be unmailable, but it is often sent in sealed packages, the contents of which are unknown at the time of its acceptance for dispatch.

COUNTERFEITING POSTMARKING STAMPS.

The act of Congress approved August 23, 1894, requires postmasters at offices of the fourth class to execute pension vouchers and to place on each voucher executed an impression of the postmarking stamp as evidence, in the same manner as a "seal" is used by an officer having a seal. Counterfeits of postmarking stamps have been made and used by advertisers for the purpose of making it appear that errors have been made in the delivery of mail.

In view of the improper use to which such stamps in the hands of unauthorized persons may be put, either in the execution of pension vouchers or to reflect injuriously upon the postal service for advertising purposes, it is suggested that a penalty be provided for the counfeiting of an official postmarking stamp, or for the use of such stamp for an improper purpose.

CONVICT LABOR.

The attention of the Department has been called to the fact that a certain contractor for supplies furnished the Department has arranged for the manufacture of such supplies by convict labor. Believing that this action is contrary to public policy, I recommend the enactment of a law by Congress which shall prevent this being done.

POSTAL FACILITIES IN NEW YORK CITY.

The last Congress provided for the appointment of a commission, consisting of the Secretary of the Treasury, the Attorney-General, and the Postmaster-General, whose duty it was to select a site for a new post-office building in the city of New York. This commission visited New York and inspected the various sites proposed for such new post-office building and reported its conclusions to Congress, but no action was taken thereon.

Because of the location of the city of New York on a long and narrow peninsula and the congested condition of the city's streets, it is difficult to give to that metropolis as good a postal service as the volume of business therein transacted justifies. The transmission of the mails from the railroad stations to the present city post-office, and its distribution from the post-office to the people in New York, owing to present conditions, is necessarily slow and difficult.

The business interests of New York, in my opinion, have a right to demand of the Government better postal facilities, and with that end in view the Commission designated by Congress recommended the location of the proposed new building at a point adjacent to the new railway station at the terminal of the Pennsylvania Railroad Company, so located that mails could be elevated directly from the tracks of the railroad company to the proposed new post-office, and from the

post-office building dropped directly to the cars of the railroad company. As the mails sent out from this railway station will approximate one-half of all the mails distributed from the city of New York, it will be seen that very considerable time will be saved if this result can be accomplished.

Since the report of your Commission, the Department has received an informal proposition from representatives of the New York Central and Hudson River Railroad Company, whereby the Department could secure similar advantages in connection with the improvements in the terminal facilities of that corporation.

The Department at the present time is compelled to rent at a high price a very insufficient building, which gives very inefficient and inconvenient facilities, at Forty-second street. The proposition made to the Department in this connection is either for the purchase of the site over the tracks of the New York Central Company at its new terminals, and the erection by the Government of a building thereon or the rental by the Department of a building to be erected by the railroad company over its tracks, which rental shall be determined at a very low rate of interest upon the cost of the building and the value of the land.

With the pneumatic-tube service, improved and extended as it undoubtedly will be in the future, and with these additional facilities in connection with the two great railroad systems terminating in New York, the postal service in that city would be greatly improved, and no just cause for complaint in that regard would need further to arise.

MAIL TRANSPORTATION.

On June 30, 1903, the total number of domestic routes of all classes was 33,448; their length 506,268 miles, and the annual travel 493,193,359 miles. Compared with the preceding year this is a decrease in length of routes of 1,272 miles, but an increase in annual travel of 18,958,671 miles. The expenditure for such service for the last fiscal year was $63,594,542.34, an increase of $4,312,664.81.

STAR ROUTES.

At the close of last fiscal year there were 20,613 star routes, the length of which was 249,364 miles, the annual travel 127,240,152 miles, and the cost $6,614,999.95 per annum. The contracts for the star routes in the third contract section, embracing the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri, expired June 30, 1903, and new contracts were made last year for all of the star service in those States for the four-year term beginning July 1 last. These new contracts covered 3,340 routes, aggregating 32,724 miles in length, and 19,343,981 miles of annual travel, at an annual expenditure of $1,276,277.07.

The average rate per mile traveled on June 30, 1903, under the old contracts was 3.77 cents. On July 1, 1903, the average rate under the new contracts was 6.59 cents per mile traveled. At the average rate paid under the new contracts a contractor traveling 22 miles each week day would receive $1.45 per day, or $453.79 per annum. The new contracts contemplate additional and better service. They require not only the transportation of mail in pouches between post-offices as formerly, but also the delivery of mail into boxes or of private mail bags to mail cranes along the routes for all persons residing upon or near the routes who choose to erect boxes or cranes and request that their mail be so delivered, and also the carrying of the private mail bag from the crane to the post-office. The old contracts did not obligate the carrier to thus deliver and collect mail. These new contracts were let to those persons only who agreed to live within the delivery of some post-office on the route to be operated and to give their personal supervision to the performance of the service, thus all the money paid by the Department goes to the local contractor, and the people secure a higher grade of service than was possible under the practice which prevailed some three years ago when non-resident speculators were permitted to become contractors and to sublet their routes to persons of their own selection, the speculator having in view the largest possible profit to himself.

Box delivery on star routes.—For the purpose of issuing advertisements and making contracts for transporting the mails on star routes, the United States is divided into four contract sections, and new contracts for a term of four years are made in some one of the sections each year. During the past three years as the contracts were about to expire there have been incorporated into the new advertisements and contracts provisions whereby all persons living on or near the routes could have their mail delivered by the carriers into boxes erected along the lines of the routes. This system of box delivery, wherever practicable, was applied July 1, 1901, to all of the first contract section, including the thirteen States from Maine to West Virginia, which at the close of the last fiscal year had 5,365 routes; on July 1, 1902, to the fourth contract section, which includes all but three of the States and Territories west of the Mississippi River, having 6,159 routes; and on July 1, 1903, to the third contract section, covering the eight States in the Middle West, north of the Ohio or bordering the Mississippi River, having 3,340 routes.

South Carolina was the State to which as a whole this service was first given (July 1, 1900), and the letting of contracts now pending will extend the box-delivery service from July 1, 1904, to the remaining seven of the Southern States and Porto Rico, which compose the second contract section, containing 5,577 routes. The feature of delivering mail into boxes along the lines of routes will then have

been extended to the entire system of star service on more than 20,000 routes, aggregating over 249,000 miles in length. At the close of the last fiscal year the box delivery had been in effect in the first section (the far East) for two full years, and in the fourth section (the far West) for one year, and in June last inquiries were sent to each of the 11,524 routes in those two sections to ascertain the extent to which the people were availing themselves of this facility. The replies received from 10,545 routes show that 73,960 boxes or cranes have been erected along these routes, and that 103,743 families are having their mail delivered to them by the carriers by the means of these boxes or bags attached to cranes. The reports indicate that the service is generally satisfactory to those who are served by it.

Collection from boxes on star routes.—All carriers on star routes have been required by statute in force for many years past to receive any mail matter presented to them if properly prepaid by stamps and deliver the same for mailing at the next office at which they arrive, without additional pay. When box delivery was inaugurated it was not advisable to include at first the collection of mail from the boxes along the routes. Subsequently a partial collection of mail was secured by requiring the carrier to take any private bags that might be suspended from cranes or posts along the route and deposit them at the next office at which he arrived. It was not until last year, however, that the bulletin advertisements were changed so as to require a complete collection of mail from all boxes along the routes under contracts effective on or after July 1, 1903. The first general advertisement in which this complete box-collection service was inaugurated was that issued September 15, 1903, for the second contract section, covering the Southern States above named, the contracts for which will go into effect next July.

Star service discontinued.—The star service discontinued during the year ended June 30, 1903, by reason of the establishment of rural free-delivery service amounted to $303,195.94. In some cases this office subsequently found it necessary to reestablish the star service, but the cost of service as reestablished has not been deducted from the amount above named.

ALASKA.

Among the extensions of new lines of service in Alaska arranged for last year may be mentioned the following:

From Homer to Kenai, 150 miles; from Fort Yukon, by Coldfoot, to Bettles, 250 miles; from Teller to Igloo, 65 miles; from Circle to Mastodon, 60 miles; from Nome, by Solomon, Council, Candle, Kee-walik, and Deering, to Kotzebue, about 300 miles.

For the summer season just closed steamboat service was authorized on the Tanana River between Tanana and Fairbanks, 275 miles, the supply point for the newly discovered gold diggings, as often as the

steamers of two transportation lines might run, not exceeding 14 round trips during the season, and also steamer service from Teller, by Wales and Deering, to Kotzebue, 355 miles, 7 round trips during the season of navigation.

A contract has also been authorized for a route from Barrow (Point Barrow), by Hope (Point Hope), to Kotzebue, about 650 miles, 2 round trips during each winter season, beginning November 1, 1903, which service is expected to be performed by reindeer; also a contract for service from Valdez, on the southern coast, by mouth of Chistochena River, Chisna, mouth of Delta River, Fairbanks, and Chena, to Tanana, about 620 miles, 2 round trips a month from December 1 to April 30 of this winter, running time each way not to exceed 25 days; mails to be carried by dog teams in connection at Valdez with steamers to and from Seattle.

At the close of last fiscal year there were 41 routes in Alaska, aggregating 18,876 miles in length and 924,149 miles in annual travel, at a cost of $322,921.82 per annum.

HAWAII AND PORTO RICO.

In Hawaii there were 91 routes, aggregating 14,770 miles in length, with an annual travel of 742,696 miles, costing $96,234.38 per annum. The closed mails conveyed by local steamboat routes, star routes, and railroad routes within the Territory of Hawaii amounted to 59,745 pouches and sacks. Between San Francisco and Hawaii there were 20,536 pouches and sacks, and between Honolulu and foreign ports there were 3,127 bags. The local steamboat routes cover all navigable waters within and around the several islands comprising the Hawaiian group. Every landing on the islands is touched by some mail steamer. Every steamer plying between Hawaiian ports carries the mails.

In Porto Rico at the close of last year there were 49 routes of all kinds, the total length of which was 3,498 miles, on which there was an annual travel of 553,873 miles at a cost of $80,203.03.

STEAMBOAT SERVICE.

On June 30 last there were 214 steamboat routes, the total length of which was 39,904 miles, with an annual travel of 5,532,479 miles, costing $679,724.92. Compared with the previous year this was an increase of 5,565 miles in length of routes; 116,081 miles in annual travel, and $81,473.87 in annual cost. The service in the third contract section was relet last year for the term of four years, beginning July 1, 1903, and the increase in cost under the new contracts was $5,122.19.

MAIL-MESSENGER SERVICE.

At the end of last fiscal year there were 7,600 mail-messenger routes, aggregating 5,113 miles in length, to 629,373 miles in annual travel at

a cost of $1,111,145.51 per annum. In this service there was a decrease in length of routes of 145 miles, but an increase in annual travel of 133,750 miles, and in annual cost $55,171.45.

PNEUMATIC-TUBE SERVICE.

Pneumatic-tube mail service is now in operation in Boston, New York, Brooklyn, and Philadelphia, and contracts have been executed contemplating its establishment in Chicago and St. Louis. A detailed statement as to this service will be found in the report of the Second Assistant Postmaster-General. The service which was in operation on June 30 last covered 12.49 miles of double tubes, at an annual rate of expenditure of $201,095.14. The contracts which have been executed, however, contemplate that there will ultimately be about 51 miles of double tubes, and that the annual rate of compensation for performing the service will be $791,804.41. The appropriation for the current fiscal year is $800,000, and the estimate submitted for next year is the same.

REGULATION AND SCREEN WAGON SERVICE.

There were 263 regulation or screen wagon routes in the cities, covering 1,252 miles in length, with an annual travel of 4,606,606 miles, at a cost of $859,247.18 per annum. Compared with the previous year this shows an increase in length of routes of 35 miles, in annual travel 169,539 miles, and in annual cost $70,924.51.

RAILROAD TRANSPORTATION.

On June 30, 1903, there were 2,935 railroad routes, the total length of which was 192,852 miles with an annual travel of 333,491,684 miles, costing $36,607,524.80 per annum. The increase in length of routes was 5,722 miles; in annual travel 20,970,205 miles, and in annual expenditure $1,558,313.58.

A weighing of mails was had on all of the railroad lines in the third contract section, embracing 8 States in the Middle West, and the result of the regular quadriennial readjustment of pay for railroad transportation in those States for four years beginning July 1 last, was an increase in annual cost of $2,439,112.83, being 18.05 per cent.

ELECTRIC-CAR SERVICE.

There were in operation on June 30 last, 379 electric and cable car routes, with a total length of 4,283 miles, an annual travel of 8,585,950 miles, and costing $461,216.40. The increase in length was 775 miles, in annual travel 1,051,193 miles, and in annual expenditure $46,867.65.

RAILWAY MAIL SERVICE.

Extent of service.—On June 30, 1903, there were 1,400 lines of traveling post-offices, covering 189,298 miles in length; the number of employees in the service was 10,555; the annual distance traveled by clerks in cars and boats, 235,114,604 miles. To accomplish this 4,039 cars and apartments were used on the steam roads, besides 20 cars on electric lines under the supervision of the railway mail service, and 87 apartments on steamboats. It is estimated that these clerks handled 15,999,802,630 pieces of ordinary mail and 29,897,063 packages and cases of registered mail. The errors by clerks in handling the mail as reported indicate but one error for every 11,530 pieces correctly distributed.

Casualties. There were 373 casualties to mail cars last year in which either clerks or mail or both were injured. There were killed 18 clerks, 1 substitute, and 3 mail weighers; and there were 78 clerks seriously and 398 slightly injured. Congress made provision in the last two appropriation bills for the payment of $1,000 to the legal representatives of every clerk killed in the line of duty. I approve the suggestion that this provision be extended to the substitute clerks as well as to the regular clerks. The large number of accidents which occurred to trains carrying railway post-office cars last year has invited attention to the hazardous service in which postal clerks are engaged. The question has been raised as to whether the plans and specifications under which postal cars are now being built are such as to secure the strongest possible construction and afford the necessary precaution to the clerks. The plans and specifications authorized by the Department some years ago were believed to be the best that could be devised at that time, but action is being taken to secure the latest information and suggestions concerning car construction with a view to making such improvements as may be found to be practicable. The matter will be given the most careful consideration.

Improvements.—New and improved service in lines of full railway postal cars or apartment cars during the past fiscal year was applied to 28,357 miles. Additional car space has been provided on lines aggregating 10,421 miles. Train schedules have been quickened and new fast-train service has been inaugurated, resulting in expedition to the mails.

Reorganization and reclassification.—Although Congress has not taken favorable action upon the full reorganization and reclassification bill which has been introduced in recent years, it has made provision for additional classes and for increase in salaries in higher classes, which has resulted in substantial benefit to the service. Two classes of railway post-office clerks, however, have not received consideration in the way of appropriate increase of salary. These are classes 2 and

3 in full railway post-offices. I therefore approve the recommendation of the Second Assistant Postmaster-General that the salaries of clerks of these classes, in crews where four or more clerks run over the whole length of the line, be increased from $900 per annum to $1,000 per annum, and from $1,000 per annum to $1,100 per annum, respectively.

Substitute clerks.—The importance to the railway mail service of a more permanent list of substitutes from which the ranks of the regular clerks are recruited, free from the disadvantages of only occasional employment with corresponding uncertainty of pay though with a liability for a call for service at any time, is recognized. In order to secure this, I approve the recommendations of the Second Assistant that suitable legislation be had providing a monthly salary of not less than $30 for each such clerk, with the understanding that he will be subject to call of the Department for at least eleven days' labor a month whether as substitute or otherwise.

Railway mail service relief and superannuation measure.—The hazardous employment and the unusual tax on the mental and physical endurance of railway post-office clerks have long suggested to their immediate superior officers the desirability of some plan whereby those permanently disabled in the line of duty or worn out through long and faithful service may retire on an annuity. The views and suggestions of such superior officers have been set forth in their several reports from time to time. The subject commends itself as worthy of earnest consideration.

Expenditures.—Expenditures on account of the railway mail service, including officers, clerks, and other items, last year amounted to $11,228,845.75. This does not include railroad transportation or railway post-office cars. The number of officials and clerks was 10,555. Comparison with the previous year shows an increase of 824 officials and clerks, and of $985,453.74 in the annual rate of expenditure.

MAIL EQUIPMENT.

The amount expended last year for mail bags with their appurtenances was $273,762.07; for mail locks, keys, etc., $42,577.63; and for rent and maintenance of mail-bag and mail-lock repair shop, $8,473.58. These amounts are substantially the same as the expenditures for the preceding year. There were 132,876 bags of all kinds purchased last year at a cost of $120,819.15. The number of pouches and sacks made in the mail-bag shop was 15,060; repaired, 1,730,170; and condemned, 70,484. It is estimated that at the close of the year there were 1,380,217 mail bags in use and in reserve in the postal service. The report of the officer in charge shows in detail the operations of the mail-bag and mail-lock repair shops.

FOREIGN MAILS.

Last year the Department paid for the transportation of foreign mails the sum of $2,383,588.80. The contracts for service on ocean mail route No. 69, from New York to Tuxpan, via Habana and other intermediate ports, and route No. 70, from New York to Habana, expired October 31, 1902, and the service having been readvertised contracts for both routes were awarded for service commencing November 1, 1902, the contract for the former route being for a term of ten years and for the latter route for a term of five years. Each contract requires a sailing from New York once a week, making a direct steamer service between New York and Habana twice every week. There are now 7 routes under contract for ocean mail service, the annual rate of expenditure for which is $1,475,138, the same as reported for the preceding year.

Sea post-office service.—The extension of the sea post-office service to the White Star Line, plying between New York, Queenstown, and Liverpool, is now assured. Plans for fitting up sea post-office rooms for distributing clerks making up mails for the railroad and overland connections at New York have been informally approved and attention given to the various details to be arranged for the new service. The steamships *Oceanic*, *Teutonic*, *Majestic*, *Cymric*, and *Celtic* will have the sea post service and perform the weekly service from New York to Queenstown and Liverpool. Sea post-office lines are therefore provided for on the North German Lloyd, the Hamburg-American, the American, and the White Star lines, making sailings from New York on Tuesday, Wednesday, Thursday, and Saturday of each week and corresponding arrivals. Attention has been given to the relocating and enlarging of the sea post-offices on ships of the American Line, whereby additional clerks may be employed and more complete separation made of mails for destination in the United States.

Parcels post.—The statistics relative to the operation under the parcels-post convention between this country and Germany, show that the United States was receiving postage on 77,174 pounds sent to Germany, while Germany was receiving postage on 400,289 pounds sent to this country. We had a much larger territory through which to transport to destination the incoming German mail, as well as five times the weight to handle. After an experimental test of three years it was thought advisable to have a modification of this convention and therefore, after due notice and by mutual agreement, the convention was modified so as to reduce the weight of parcels from 5 kilograms (11 pounds) to 2 kilograms (4 pounds 6 ounces), and at the same time notice was given to the other countries of the Eastern Hemisphere that negotiations with them would be resumed, if desired, looking to the concluding of conventions with them on the lines of the German convention thus modified. The countries of the Western Hemisphere

send to this country comparatively few parcels. They receive more largely from us, and are permitted to retain the limit of weight that adapts itself to their needs, namely, 5 kilograms, or 11 pounds.

DIVISION OF MAIL CLASSIFICATION.

The applications for admission of publications to the second-class of mail matter favorably considered numbered 3,850, a decrease of 722 from the previous year. Entry was denied 1,713 publications, an increase of 32 over the previous year.

There were 509,537,962 pounds of second-class matter mailed by publishers and news agents at the pound rate of postage during the fiscal year. The postage paid thereon amounted to $5,095,379.62. Postmasters' statements of newspaper and periodical mailings show 36,305,884 pounds of second-class publications to have been mailed free in the counties of publication during the year, making a total of all second-class matter mailed by publishers and news agents of 545,843,846 pounds, the free county circulation being 6.48 per cent of the entire amount of second-class matter mailed as stated.

The total of second-class matter mailed at the 45 offices having the largest mailings in the country during the year was 419,794,064 pounds, as against 374,391,175 pounds during the fiscal year ended June 30, 1902, an increase of 45,402,889, or 12.127 per cent. The amount collected at these offices in postage amounted to 82.387 per cent of the total amount collected on second-class matter mailed by publishers and news agents throughout the country.

The collection of postage at the third-class rate on matter improperly mailed as that of second class during the year amounted to $42,761.25, an increase of $14,565.36, or 61.66 per cent over the previous year.

ABUSES—SECOND CLASS OF MAIL MATTER.

The abuses of this class of mail matter have been discussed and defined in many previous reports. Under date of July 17, 1901, after much deliberation and after the abuses of this class had been a scandal to the postal service for many years, it was determined to undertake a reform, through a proper and rational interpretation of the statute, which should be as thorough as possible and yet free from interference with legitimate newspapers and periodicals in the rights accorded them by law. Since that date the Department has moved steadily forward toward accomplishment of the desired end. The following results may be regarded as definitely attained and substantially established:

First. All publications which are in fact books and not "periodical publications" have been relegated to the third class, as the statute intends.

Second. The news agents' "return privilege"—that is to say, the mailing at the pound rate dead or unsold matter back to the point from which it was originally shipped, to be returned to the publisher—has been stopped.

Third. A limit properly justified by the statute has been put upon the sample-copy privilege, the effect of which is to cure in the main the so-called sample-copy abuse.

Fourth. Alleged "newspapers" and "periodicals," issued by certain private schools, academies, and other educational enterprises, usually with an advertising purpose, and claiming the benefit of the law according the second-class mailing privileges to publications of "regularly incorporated institutions of learning," have been eliminated from that class and placed in the third class of mail matter, as contemplated by law.

Fifth. Rulings have been made and sustained under the act of March 3, 1879, which tend to correct the great evil by which many advertising sheets, contrary to the express prohibition of the statute, both gain and maintain the second-class mailing privilege by having advertisers or other interested parties contract for a bulk number of copies of several or many issues to be sent to persons designated by them. Such pretended subscriptions made in bulk were formerly classed as regular in making up what the statute requires—"a legitimate list of subscribers."

REGISTRY SYSTEM.

During the year, 25,951,178 letters and parcels were registered in the various post-offices of the country. Of this number, 3,561,825 were free registrations, and 22,389,353 were paid registrations, for which $1,791,148.24 in registry fees was collected.

This represents an increase of 2,761,210 in paid registrations, as compared with the preceding year, and an increase of $220,896.80 in the amount collected as registry fees. The increase in the number of paid registrations for the past year is more than half a million greater than the increase of any previous year.

Of the reported losses of registered matter which were investigated during the year, recovery was found to be impossible in 659 cases. Of these cases 270 involved official matter exclusively, of practically no money value, leaving 389 as the number of losses sustained by the public. In the case of registered matter mailed by the public the rate of loss was therefore 1 in every 57,566 pieces. Taking into consideration the official mail matter registered free, as well as the matter registered for the public, the rate of loss was 1 in every 39,379 pieces.

The total number of claims for limited indemnity certified for payment during the year was 469, amounting to $3,091.01. The aggregate value of the lost matter in these 469 cases was $7,657.65.

During the year city letter carriers accepted for registration 379,169 pieces of mail matter, an increase of 61,227 over the preceding year. The average number of pieces accepted for registration by carriers at each of the 1,032 city free-delivery offices of the country during the year was 367.

There were registered by rural carriers during the year, 241,099 letters and parcels, or more than twice the number registered by rural carriers during the preceding year.

ISSUE OF POSTAGE STAMPS, ETC.

The total number of ordinary, special-delivery, and postage-due stamps, postal cards, and stamped envelopes issued to postmasters during the fiscal year (including 9,829,240 stamp books) was 7,034,732,035, an increase over the previous year of 973,275,908 pieces, or 16.05 per cent; value, $129,430,173.01, an increase of $16,764,619.55, or 14.88 per cent.

BOOKS OF STAMPS.

The demand for stamps in book form continues very large, the increase in the number issued last year being 2,735,966 books, or 38.58 per cent, over the previous year. The 1 cent each at which these books are sold over the value of the stamps contained therein paid the cost of manufacture, and in addition has yielded a profit of $151,144.93 to the Department on the total number of stamp books issued since stamps were first put up in this form in 1900.

NEW ISSUE OF STAMPS AND STAMPED ENVELOPES.

During the year an entire new series of stamps and stamped envelopes was issued. All of the new stamps are highly artistic. It was believed, however, that the first design of the 2-cent stamp could be improved, and the Bureau of Engraving and Printing prepared another design which has been substituted for it. There are four denominations of stamped envelopes, and in the new series each denomination of embossed stamp is of a distinctive geometrical figure, which is a departure from the former practice of issuing all the denominations in uniform size and shape.

CONSOLIDATION OF THIRD AND FOURTH CLASS MATTER.

In my last report I explained the difficulty of differentiating between third and fourth class matter, and how irritating and vexatious the questions which arise through the necessity of maintaining these two classes are to the public. Without repeating the argument on this point, I again recommend that Congress be asked, in the interest of efficient postal service, to consolidate the third and fourth classes of

mail matter and fix the rate of postage at 1 cent for each 2 ounces or fraction thereof. The effect upon the revenues would be immaterial, while the service would be greatly simplified and advanced, both to the public and to the Department.

THE PAYMENT OF POSTAGE IN MONEY ON MAILINGS OF IDENTICAL PIECES OF THIRD AND FOURTH CLASS MATTER.

The recommendation in my last annual report that Congress be asked to authorize the Postmaster-General to accept, under suitable regulations, the mailings of large quantities of identical pieces of printed matter and small articles of merchandise without the necessity of affixing postage stamps to the individual pieces was favorably considered by the House of Representatives and passed that body as a rider on the Post-Office appropriation bill. That provision, however, was eliminated when the bill passed the Senate. It is my opinion that the failure of the measure in the Senate was due to a misapprehension to the effect that it amounted to a reduction of postage rates on those classes of matter when so mailed. This is erroneous. The provision contemplated that the rate should remain exactly the same.

I now renew my recommendation of last year that Congress be asked to authorize such a provision. Suitable regulations can be framed which will assure to the Government the proper collection and safe accounting for the full revenue under such authority. The business interests, I believe, demand such a concession. A great economy will be effected. The Department will save the expense of manufacturing stamps, the sale of them to the public, and the labor of canceling them on the individual pieces in the post-offices when mailed. On the other side, the public will save the labor of buying and attaching postage stamps to individual pieces.

REMITTANCES OF MONEY IN THE MAILS.

The practice of the public of using postage stamps for remittances in the mails has grown to enormous proportions. The result is that the Department loses heavily in several ways, but especially because the sales of stamps by postmasters for that purpose at the smaller post-offices increases their compensation wrongfully, and imposes upon post-offices in the large cities to which such remittances are generally made the labor of handling vast quantities of matter the revenues from which are derived by the selling post-offices. It encourages trafficking in postage stamps, and this encourages the robbery of post-offices. Many plans have been proposed for obviating this evil.

REDUCTION IN FOREIGN RATES OF POSTAGE.

The International Postal Congress will convene at Rome, Italy, in March, 1904. Believing that the time has arrived for a reduction in the rate of foreign postage, our representative at the congress will be

instructed to urge upon the members of the Postal Union the propriety of a reduction in the foreign rate of postage, especially so far as it may affect the rate now obtaining between the United States and the great commercial nations of Europe. It is confidently expected that if the rate should be reduced from 5 cents to 3 cents, or even to 2 cents, it would result in a very short time in such an enormous increase in the interchange of communications as would bring greater financial returns than obtain from the present rate.

APPOINTMENT OF POSTMASTERS.

The total number of appointments for the fiscal year ended June 30, 1902, was 16,970, while for the fiscal year ended June 30, 1903, there were but 15,061, a decrease of 1,909. This decrease was due to their having been a smaller number of expirations of commissions of Presidential postmasters, and the policy of the Department in discouraging changes in fourth-class post-offices except for cause. During the fiscal year 1902, the commissions of 1,892 Presidential postmasters expired, while during the fiscal year 1903, there were but 883 expirations. The record shows a decrease in the number of removals of postmasters for cause.

ESTABLISHMENT OF POST-OFFICES.

There were 2,707 post-offices established during the year, a decrease as compared with the previous year of 331.

The record of establishments during the last seven years is as follows: 1897, 1,601; 1898, 3,601; 1899, 2,935; 1900, 3,600; 1901, 3,294; 1902, 3,038; 1903, 2,707.

DISCONTINUANCE OF POST-OFFICES.

There were 4,462 post-offices discontinued during the year, being 403 more than during the preceding year.

The principal cause for the large increase in the number of post-offices discontinued has been the extension of the rural free-delivery service, which resulted in the discontinuance of 2,163 post-offices during the year, the salaries of postmasters of said offices aggregating $121,332.

RESIGNATIONS, REMOVALS, AND DEATHS OF POSTMASTERS.

Following is a summary of the resignations, removals, and deaths of postmasters during the fiscal year 1903:

	Presidential.	Fourth class.	Total.
Resignations	67	8,277	8,344
Removals	41	1,368	1,409
Deaths	86	713	799

NUMBER OF POST-OFFICES IN THE UNITED STATES.

On June 30, 1903, at the close of the fiscal year, there were 74,169 post-offices, divided as follows:

First-class, 242; second-class, 1,107; third-class, 3,690; fourth-class, 69,130.

INCREASE IN PRESIDENTAL POST-OFFICES IN LAST SIX YEARS.

From June 30, 1897, to June 30, 1903, the number of Presidential post-offices increased from 3,762 to 5,039, an increase of 1,277, or about 34 per cent.

CITY FREE DELIVERY.

City free-delivery service has been established at 99 post-offices during the year, as against 67 in 1902; 68 in 1901, and 62 in 1900. At the close of the fiscal year there were 1,032 free-delivery offices.

CARRIERS.

Two hundred and eighty-five carriers have been appointed for service at new free-delivery offices, and 1,470 for offices where the service has been increased. The total number of carriers employed on June 30, 1903, was 19,542, an increase of 9.9 per cent over the preceding year.

REVENUES AND EXPENSES.

The gross receipts at free-delivery offices during the fiscal year were $93,466,623.13, an increase of 12.14 per cent over the preceding year. The cost of the free-delivery service was $19,337,986, an increase of 12.93 per cent as compared with the preceding year. The expense of the free-delivery service was 20.69 per cent of the gross receipts of free-delivery offices, as against 20.55 per cent for the previous year. The cost per carrier was $989.56, while for the preceding year it was $962.80.

LETTER BOXES AND OTHER EQUIPMENT.

Investigation has shown that for a number of years supplies for the free-delivery service have not been purchased with an eye single to the public interests. Both in the matter of quality and the cost of equipment the ruling consideration has been private gain. This applies to articles furnished under regular contract, such as street collection boxes and carriers' satchels, as well as to those bought in the open market under exigency privilege, which has been much abused. Favored contractors, abetted by a trusted but unfaithful official, have corrupted the public service. An early and thorough reformation will be undertaken along the line of service equipment, with the prospective result of improved service at reduced cost. Fraudulent contracts have been abrogated. In the reletting of contracts honest competition will have fair and free play.

FREE-DELIVERY SERVICE.

The free-delivery service is expanding more rapidly than any other branch of the postal service. Its growth during the fiscal year has been greater than at any other time since free delivery was established. It presents a great many problems for careful consideration, as the expenditures, when once authorized, become practically permanent. The estimated expenditure for the fiscal year beginning July 1, 1904, for both city and rural free delivery will aggregate about $47,000,000, an amount equal to that expended for the maintenance of the entire postal service in the year 1884.

The estimates for the coming fiscal year have been made on the assumption that the expenses generally, at least in the main items, would be 10 per cent greater this year than last and grow at the same rate during next year. By far the largest expenditure is for the pay of carriers, the cost of these at the old free-delivery offices during the past year having been $17,343,122.59, and at new offices $83,727.09. The number of carriers promoted was 1,628—679 from $600 to $800, 565 from $600 to $850, and 384 from $800 to $1,000; and of the 19,542 carriers in the service on June 30 last, 2,396 were receiving a salary of $600 each, 960 $800, 6,645 $850, and 9,541 $1,000.

The general business prosperity adds decidedly to postal receipts, even at the smaller offices, with the result that an increasing number are becoming entitled to free delivery.

The estimated cost of city free delivery for the fiscal year 1905 is $23,150,050.

RURAL FREE-DELIVERY SERVICE.

In the establishment of rural free delivery it is required that the roads be in good condition, with no unbridged streams not fordable at all seasons of the year, and that each route upon which the carrier receives the maximum salary shall serve 100 families.

GROWTH OF THE SERVICE.

On June 30, 1902, there were 8,466 rural routes in operation. During the fiscal year ended June 30, 1903, 6,653 routes were established, making a total of 15,119 on that date.

The growth of the service since its establishment is shown in the following statement:

Fiscal year.	Appropriation.	Routes in operation.
1897	$40,000	44
1898	50,000	148
1899	150,000	391
1900	450,000	1,276
1901	1,750,000	4,301
1902	3,993,740	8,466
1903	8,054,400	15,119

On July 1, 1902, there were pending 11,728 petitions. During the year, 8,339 cases were made up for investigation, 1,714 cases were reported adversely, and 6,653 routes were established, leaving 11,790 petitions pending June 30, 1903.

COUNTY SERVICE.

A large number of counties in various States have what is termed county service, i. e., in counties almost entirely served the existing routes have been so arranged and new routes established as to give practically the entire rural population of the county the benefit of this service.

BUSINESS TRANSACTED.

Rural carriers are required to keep a count of the mail of all classes handled and the amount of the cancellations on mail collected by them. These statistics for the last six months of the fiscal year, January to June, 1903, inclusive, have been compiled.

During the period named 309,428,128 pieces of mail were delivered and 48,954,390 pieces of mail were collected. The value of stamps canceled on mail collected by rural carriers amounted to $949,084.37, and the pay of carriers for that period aggregated $4,518,185. The average monthly cancellations per route were $11.22, and the average pay of the carriers $49.78.

RURAL CARRIERS.

The resignations of 2,879 carriers were accepted during the year, about 19 per cent of the whole number, many of them stating that they find it unprofitable to continue in the service. Seventy carriers were removed for cause, of which number 7 were arrested for violation of the postal laws. The deaths of 86 carriers were reported.

SALARIES.

Under the law the salary of rural carriers can not exceed $600 per annum, and no other allowance can be made, but it is provided that they shall not be prohibited from doing an express-package business. The provision of law under which rural carriers are permitted to do an express-package business was intended by Congress to provide a means of additional compensation, but it is so broad in its terms that the way has been opened for a serious loss of revenue to the postal service. The Department has endeavored to restrict the express matter carried by rural carriers to such as is not mailable as fourth-class mail matter, but advantage is taken of the law by business firms to secure the distribution of large quantities of advertising matter by the rural carriers.

Such matter is shipped by express or freight to the carrier or some

agent who arranges with the carrier for its distribution. Thus rural carriers, employees of the Department, are delivering to patrons on their routes matter which would otherwise be mailed and become a source of postal revenue. As the result of the express-package business, complaints frequently come to the Department that carriers are soliciting business for one firm to the disadvantage of others.

In many sections of the country carriers have become the agents of newspapers, soliciting subscribers, delivering papers, and collecting for the same. This has led to complaints from other newspapers circulating in the same territory, alleging that carriers discriminate against one paper in favor of another. In one State there was discovered an attempt on the part of a carriers' organization to exact certain compensation from daily papers, and any paper declining to meet such demand was to be placed on the blacklist. The ultimate result of permitting carriers to transact express-package business is great loss of revenue to the Department, and constant annoyance from complaints of merchants and publishers. In many instances the delivery of mail is now a secondary matter, the express-package business being regarded by the carrier as the more important part of his work. He is secure in his salary from the Government, and what business he can work up as news agent or express messenger is clear gain. If carriers are to be permitted to do an express-package business, then the entire system of compensation should be changed to the contract system, the same as the star-route service. On many routes a profitable express business is not practicable, while on others it becomes lucrative, and the present system therefore results in great inequality of compensation.

It is therefore recommended that rural carriers be restricted to the discharge of their official duties, the same as city carriers, as prescribed by the Department, and to provide a compensation commensurate with the service performed.

RURAL BOXES.

Patrons of the rural free-delivery service are required to furnish at their own cost a box for the reception of their mail, complying with certain specifications as to size, shape, and workmanship, and made of galvanized sheet iron or sheet steel, the same to be approved by the Department. One hundred and eighteen different types of boxes have been so approved, which are sold at prices running from $0.75 to $3.50.

CURRENT APPROPRIATION.

The amount appropriated for the compensation of rural carriers and clerks in charge of rural substations during the current fiscal year is $12,000,000. Of this, approximately $9,059,980 is required for carriers in the service on June 30, 1903, leaving $2,940,000 for the estab-

lishment of additional routes. The salaries of the 4,549 carriers already appointed since June 30, 1903, on routes now in operation, including those installed November 16, will aggregate $2,229,981. It is estimated that favorable reports received and approved will average 600 routes per month. At this rate, the appropriation now available will be exhausted about March 1, 1904, and the work of installation of rural routes during the current fiscal year will then have to be discontinued, unless a supplemental appropriation is made by Congress. Three hundred thousand dollars will be sufficient to enable the Department to continue the establishment of the service as fast as routes are favorably reported and approved for the remainder of the current fiscal year.

ESTIMATES FOR 1904-5.

Eleven thousand seven hundred petitions were pending June 30, 1903, and 2,002 cases for investigation have been made up since that date. Of this number 5,266 routes have been established or ordered established, leaving approximately 6,937 petitions pending.

For the purpose of bringing the work of examining proposed routes up to date and expediting the work of investigating special inspection cases an increase of 36 in the field force of the rural free-delivery service is recommended, making a total of 175 men for that work.

There are now in operation 19,398 routes. It is estimated that 3,260 additional routes can be established out of the appropriation now available, making 22,678 which will be in operation or ordered established by March 1, 1904. To maintain the service on these routes during the fiscal year from July 1, 1904, to June 30, 1905, will require $13,560,000.

If Congress should make a supplemental appropriation of $300,000 for the current fiscal year, as suggested, additional routes can be established, bringing the number in operation June 30, 1904, up to 24,500. In that event about $15,000,000 will be required to maintain the service during the next fiscal year.

With the number of agents now employed, it will require about $3,000,000 additional to enable the Department to establish the service during the fiscal year 1904–5 as rapidly as routes are examined. If Congress provides for an increased number of agents, as recommended, it will require about $4,000,000 additional, or $19,000,000, to maintain and install the service during the next fiscal year.

If the maximum salary of the carriers is increased, as recommended, it will necessitate an increase in the above estimates.

DIVISION OF POST-OFFICE INSPECTORS AND MAIL DEPREDATIONS.

During the fiscal year a larger number of post-office inspectors was employed than during any other year in the history of the postal service. Certain kinds of crime against the postal laws seem to be on the

increase, such as the robbery of railway post-offices, star-route carriers, rural free-delivery carriers, mail messengers, and mail boxes.

During the year 200,729 cases have been referred to the inspectors' division for investigation. The entire number investigated was 210,061, but there were left over from the the fiscal year 1902 94,607 cases, so that there were on hand on July 1, 1903, 85,275 cases.

The number of offices inspected during the year was 21,375.

POSTAL FRAUDS.

On March 7, 1903, an investigation was ordered affecting the integrity of certain officials connected with the office of the Assistant Attorney-General for the Post-Office Department, the division of post-office supplies, the free delivery system, and the division of salaries and allowances. The investigation begun at that time had not been concluded at the close of the fiscal year. More than 40 inspectors were detailed for this work.

As a result of the investigation, 17 officials were separated from the service by resignation or removal. Forty-four indictments were found and 31 persons arrested, 10 of whom had been connected with the postal service. A special report covering the details of this investigation has been submitted.

TELEPHONE SERVICE IN CONNECTION WITH RURAL FREE-DELIVERY SERVICE.

The extension of the rural free-delivery service and the consequent increase in the use of the mails by the patrons residing along the rural routes, together with the extension of the telephone service into the farming districts of the country, has suggested the propriety of extending the privilege of the special delivery of such letters, or the contents thereof, by means of the telephone, it being proposed that a special stamp be provided covering the cost of such transmission, the use of which stamp would authorize the postmaster at the office of delivery to open such letter and telephone its contents to the person to whom it is addressed. It will be seen that if such plan is feasible, twenty-four hours time will be saved in the transmission of important messages to many people residing along the lines of the rural delivery routes. I would recommend that a small appropriation be made by Congress for the purpose of enabling the Postmaster-General to investigate this subject.

FRAUDULENT SCHEMES AND LOTTERY ENTERPRISES.

During the latter months of the fiscal year the statutes authorizing the Postmaster-General to suppress the operation of fraudulent schemes and lottery enterprises through the mails have received a stricter application and been somewhat more rigidly enforced than previously.

The effect of this policy is clearly seen in the marked decrease in the number of complaints of fraudulent practices received from the public, and in the greater care that is being shown by publishers in excluding from their publications advertisements of prize schemes which come within the legal definition of lotteries.

GUESSING CONTESTS.

There seems to be no diminution, however, in the number of so-called "guessing contests," which since the enactment of the federal lottery laws have largely taken the place of ordinary lottery enterprises. Indeed, so far from decreasing in number, these schemes are becoming more and more widespread, while the scale of their operation is constantly growing. It would be difficult to estimate the number of these contests now being carried on, but it may safely be said that they run far into the hundreds, and that by means of them prizes of money and property aggregating several hundred thousand dollars are distributed every year.

While in their practical consequences these schemes are almost, if not quite, as pernicious and detrimental to the public as ordinary lotteries, they have been held by Attorneys-General of the United States and by a Federal court, in which a prosecution in the nature of a test case was instituted, not to come within the prohibitions of the lottery statutes. The need of legislation authorizing the exclusion from the mails of all matter relating to this class of enterprises is plainly evident.

GAMBLING ENTERPRISES.

The promotion through the medium of the mails of gambling enterprises has also become a grave abuse, for the suppression of which it appears the existing laws afford no authority, except where actual fraud in their conduct can be shown. These debasing schemes are numerous, and are widely advertised and exploited in newspapers and circular matter passing through the mails; remittances of money being solicited for the ostensible purpose of being bet or wagered on horse races or like events, under so-called systems of betting, in which the chances of loss to the investor are represented to be reduced to the minimum. In most cases they are but covers for fraud on an extensive scale, though to establish that fact much time and careful investigation are frequently necessary; and meantime the public is subjected to serious losses. That the use of the postal service of the United States for the promotion of these demoralizing schemes should be prohibited by law hardly needs to be argued.

ASSISTANT ATTORNEY-GENERAL FOR THE POST-OFFICE DEPARTMENT.

The suggestion has been made that, for certain reasons of convenience, the title of the Assistant Attorney-General for the Post-Office

Department be changed to "Solicitor for the Post-Office Department;" and although the suggestion at first impressed me favorably, there has occurred to me upon reflection a number of practical and seemingly very important objections to the change proposed.

The office of Assistant Attorney-General for the Post-Office Department was created by the act of March 3, 1873, and on March 20 following was filled by appointment of the Postmaster-General, as authorized by law. In the period of over thirty years which has since intervened there has been no change whatsoever in the designation of the office, and accordingly under the name of "Assistant Attorney-General for the Post-Office Department" it has come to have a well-defined and recognized place in the public mind. It is always desirable that the public understand the duties and functions of a public office or officer, and this is particularly true of an office such as this, which deals so largely with matters of intimate and immediate relation to the individual citizen. To the general public, and especially to those persons having official business relations with the office, it has under its present name, by slow degrees, come to be known and the usefulness of its work comprehended. This condition tends greatly to assist it in protecting the public from loss and imposition and to facilitate the transaction of its business generally. To change this name at this late date would be equivalent in the public mind to abolishing the office, and necessarily considerable time would be required, as well as difficulty experienced in removing such erroneous impression.

It is important further to observe that upon all the official opinions, recommendations, correspondence, record books, etc., issued from or in use by the office during the whole period of its existence, it is designated as that of Assistant Attorney-General for the Post-Office Department, while all the stationery now in use, of which there is a large supply on hand, as well as the very great number of law books constituting the library, are printed or stamped with this designation. The same is true of many blank forms and other stationery used by the several bureaus of the Post-Office Department in communicating with the office of the Assistant Attorney-General. To change all these would, in some degree, delay or hinder for a time the transaction of official business and involve a considerable expenditure of money. Moreover, in all official orders, instructions, and publications of the Post-Office Department issued since the inception of this office, it is referred to by its present title, and it is believed that a change therefrom now would cause much annoyance and confusion.

For the foregoing reasons, as well as others of perhaps lesser importance which will no doubt suggest themselves, it would seem to me that the designation of the office of Assistant Attorney-General for the Post-Office Department should not be changed. The objections to

such a change, to my mind, outweigh by far the few reasons which have been advanced in favor of it.

There are, however, apparently abundant reasons why the office of Assistant Attorney-General for the Post-Office Department should be in fact, as well as in name, subject to the authority of the Attorney-General of the United States. It now presents the anomaly of an officer designated as an assistant to the Attorney-General, borne upon the rolls of the Department of Justice, appointed by the Postmaster-General, reporting only to him and subject to his authority, in whose selection the head of the Department of Justice, whose assistant he is presumed to be, and whom the public hold accountable in large measure for his official acts, has no voice whatsoever. This is no less contrary to the theory upon which the Department of Justice is organized, and which contemplates that all law officers of the United States shall be subject to the control and direction of the Attorney-General, than to good and effective administrative policy. The law officers, like the accounting officers, assigned to the several Executive Departments of the Government, should be, so far as is possible and consistent with efficient administrative methods, in a measure independent of such Departments.

To the Assistant Attorney-General for the Post-Office Department there is assigned by the postal regulations a great variety of important and exacting functions. He is the law officer to whom the Postmaster-General, the Assistant Postmasters-General, postmasters, and all other postal officials throughout the country look for legal advice and guidance in discharging their duties. That the questions of law constantly arising in this great service, with its ramifications reaching into the remotest localities and affecting more intimately and universally the daily concerns of the citizens than any other Department of the Government, are in many instances deeply intricate and perplexing needs hardly to be stated. Additional to the very many miscellaneous questions of law in respect of which he is consulted, the Assistant Attorney-General is charged with the consideration of claims of postmasters for reimbursement for losses of funds sustained by burglary, fire, etc., and of offers of compromise of liabilities or indebtedness to the United States made on behalf of defaulting postmasters, failing mail contractors, and others; with the hearing and consideration of cases of alleged misuse of the mails in the conduct of lottery enterprises and schemes to defraud; the consideration of appeals made to the Postmaster-General from decisions of the several Assistant Postmasters-General, depending upon questions of law; the conduct of correspondence with the Department of Justice relating to prosecutions and suits arising out of the postal service, and concerning petitions for Executive clemency of persons convicted of crimes and offenses against the postal laws; and with the examination and when necessary the draft-

ing of contracts entered into by the Post-Office Department, and the like.

The examination and consideration of cases of alleged misuse of the mails in the conduct of fraudulent schemes and lottery enterprises is a semijudicial function of the Assistant Attorney-General, which increases in magnitude and responsibility each year. Upon his recommendation in these cases the Postmaster-General must almost wholly rely in excluding fraudulent and other illegal enterprises from the use of the mails. In numerous instances these cases involve very large pecuniary interests, and public considerations of high importance; so that an erroneous judgment must result either in very great injustice and financial loss to the individual concerned, or severe pecuniary losses and moral harm to the public.

It is believed that the duties and responsibilities of this office are fully equal to those of any of the other Assistant Attorneys-General. There seems to be not the slightest reason why its incumbent should be selected in any wise differently from the other officers named. Neither is there any reason whatsoever, to my mind, why the compensation of this position should be less than that of the other Assistant Attorneys-General, viz, $5,000 per annum. On the contrary, in my judgment, every consideration of justice as well as policy demands that in salary, as in all other respects, this position be equalized with the others in the Department of Justice of the same designation. Especial attention is called to the fact that the Assistant Attorney-General for the Department of the Interior receives a salary of $5,000 a year.

It is accordingly recommended that no change be made in the title of the Assistant Attorney-General for the Post-Office Department, but that the office be made a Presidential one; that its incumbent be made in fact, as well as in name, an officer of the Department of Justice, subject to the authority and direction of the Attorney-General of the United States, and that his salary be increased in the sum of $500, making it $5,000 per annum.

LEGISLATION.

The following recommendations for legislation, some of which have heretofore been made, are submitted for the consideration of Congress:

1. That proper legislation be enacted to acquire the title to block No. 324 in the city of Washington for the purpose of erecting an annex to the present Post-Office Department building.

2. That a "lump sum" appropriation for clerks in the first and second class post-offices be allowed, instead of an appropriation for clerks by grades as at present.

3. That where a clerk or letter carrier has been twenty-five years in the service and shall have attained the age of 65 years, the Postmaster-

General shall be empowered, upon the recommendation of the postmaster, to employ a substitute for such clerk or letter carrier, which substitute shall receive not to exceed two-thirds of his salary, the other one-third to go to such clerk or letter carrier.

4. That a system of postal checks be authorized by Congress for the transmission of small sums of money through the mails.

5. That Congress consider the propriety of authorizing post-offices in Porto Rico to receive small amounts on deposit, giving thereon a rate of interest not to exceed 2 per cent per annum.

6. That a law be enacted to prohibit the establishment and maintenance of boxes to be rented for the receipt of mail without authority from the Post-Office Department.

7. That a penalty be provided by law for the mailing of explosives or inflammable matter.

8. That a penalty be provided for the counterfeiting of an official post-marking stamp, or for the use of such stamp for an improper purpose.

9. That a law be enacted which shall prevent furnishing to the Department supplies manufactured by convict labor.

10. That action be taken by Congress on the report of the commission appointed to select a site for a new post-office building in the city of New York.

11. That the provision made by Congress in the last two appropriation bills for the payment of $1,000 to the legal representatives of every railway mail clerk killed in the line of duty be extended to the substitute clerks as well as to regular clerks.

12. That salaries of clerks of classes 2 and 3 in full railway post-offices in crews where four or more clerks run over the entire length of the line be increased from $900 per annum to $1,000 per annum and from $1,000 to $1,100 per annum, respectively.

13. That suitable legislation be had providing a monthly salary of not less than $30 for each substitute clerk in the railway mail service, with the understanding that he will be subject to the call of the Department for at least eleven days' labor a month, whether as substitute or otherwise.

14. That Congress earnestly consider the propriety of granting an annuity to railway post-office clerks who are permanently disabled in line of duty or worn out through long, faithful service.

15. That Congress, in the interest of efficient postal service, consolidate the third and fourth classes of mail matter and fix the rate of postage at 1 cent for each 2 ounces or fraction thereof.

16. That Congress authorize the Postmaster-General to accept, under suitable regulations, the mailings of large quantities of identical pieces of printed matter and small articles of merchandise without the necessity of affixing postage stamps to the individual pieces.

17. That a sum of $300,000 be appropriated, to be immediately available, for the purpose of enabling the Department to continue the installation of additional rural free-delivery routes until the end of the present fiscal year, and that Congress authorize an increase of 36 in the field force in connection with rural free-delivery service.

18. That special agents and route inspectors be hereafter designated rural agents.

19. That the provision of law that rural carriers shall not be prohibited from doing an express-package business be repealed.

20. That the maximum salary of a rural carrier be increased.

21. The act of June 13, 1898, providing that assistant postmasters, cashiers, and other employees in post-offices of the first, second, and third classes shall give bond direct to the United States has not proven satisfactory. Originally a postmaster was responsible under his bond for all moneys received, and it was his duty to account therefor even if a loss was due to a subordinate. A vexatious question as to responsibility for losses has arisen since the act referred to became effective. If the postmaster makes good the loss, there is no provision for him to succeed to the rights of the United States under the clerk's bond. If it should be judicially determined that the bonding of the clerk direct to the United States relieves the postmaster, the Government would have no recourse in the event the loss exceeded the amount of the bond. I therefore earnestly renew my recommendation that the act be repealed, and suggest a law be enacted requiring assistant postmasters, cashiers, and other employees to give bonds to postmasters direct, and holding postmasters responsible under their own bonds for any and all acts and defaults occurring at their respective offices.

22. That an appropriation be made for the purpose of constructing lookouts wherever, in the opinion of the Postmaster-General, the same may be needed.

23. That the interstate-commerce law be amended to prohibit common carriers—to wit, telegraph and express companies—or any of their employees from aiding and abetting in the green-goods or lottery swindles or any other scheme, carried on partly by mail and partly by common carrier, and which is in violation of the postal laws.

24. That a small appropriation be made by Congress for the purpose of enabling the Postmaster-General to investigate the feasibility of telephone service in connection with the rural free-delivery service.

25. That legislation be enacted authorizing the exclusion from the mails of all matter relating to the class of enterprises known as guessing contests.

26. That Congress prohibit by law the use of the postal service of the United States for the promotion of gambling schemes.

27. That no change be made in the title of the Assistant Attorney-General for the Post-Office Department, but that the office be made

a Presidential one and that its incumbent be made, in fact as well as in name, an officer of the Department of Justice, subject to the authority and direction of the Attorney-General of the United States; that his salary be increased to $5,000 per annum.

CONCLUSION.

In concluding this report, it is proper to say that its preparation has been delayed several weeks, owing to the demands upon my time by reason of the investigation which has been made into the affairs of the Department, commencing about the 1st of March, 1903, and which has continued under my direction since that time.

This investigation has resulted in a complete reorganization of some of the bureaus of the Department, and it is hoped has eradicated all dishonest, irregular, and criminal practices, which the investigation has developed as having been in existence for several years.

I can not too strongly commend the zeal, vigor, and fidelity which has been shown by the Fourth Assistant Postmaster-General, who has been in immediate charge, and the inspectors who have been detailed to assist him in the investigation.

Respectfully submitted.

H. C. PAYNE,
Postmaster-General.

PAPERS

ACCOMPANYING

THE REPORT OF THE POSTMASTER-GENERAL.

REPORT OF THE ASSISTANT ATTORNEY GENERAL FOR THE POST-OFFICE DEPARTMENT.

OFFICE OF THE ASSISTANT ATTORNEY-GENERAL
FOR THE POST-OFFICE DEPARTMENT,
Washington, October 10, 1903.

SIR: I have the honor to submit below, in accordance with the established rule, a report or résumé of the operations of this office for the fiscal year ended June 30, 1903. It is proper to say, however, in this connection that my incumbency of the office of Assistant Attorney-General for the Post-Office Department embraced but two months, viz, May and June, of the fiscal year and that, accordingly, my personal knowledge of its affairs during the previous ten months of the year is such only as has been drawn from the official records.

DUTIES OF ASSISTANT ATTORNEY-GENERAL.

The postal regulations assign to the Assistant Attorney-General a variety of duties, principal of which are the following: The giving to the Postmaster-General and the heads of the various bureaus of the Post-Office Department of opinions upon questions of law arising in the course of the administration of the postal service; the consideration of claims of postmasters for reimbursement for losses of money order or postal funds sustained as the consequence of "fire, burglary, or other unavoidable casualty" at their post-offices, or in transit to their respective depositaries, and of certifications made by the Auditor for the Post-Office Department of cases of proposed compromise of liabilities of postmasters, mail contractors, and others to the United States, as well as of proposed remissions of fines, penalties, and forfeitures accruing to the United States under postal statutes, and their submission to the Postmaster-General with advice as to the action which should be taken in respect of such claims or cases; the conduct of correspondence with the Department of Justice relating to prosecutions and suits arising out of the postal service, and concerning petitions for executive clemency of persons convicted of crimes and offenses against the postal laws; the consideration of appeals made to the Postmaster-General from decisions of the heads of the several bureaus of the Post-Office Department depending upon questions of law; the hearing and consideration of cases of alleged misuse of the mails in the operation of lottery enterprises and schemes to defraud and the preparation and submission of the same to the Postmaster-General, with advice as to his

action under sections 3929 and 4041 of the Revised Statutes, as amended; the examination, and when necessary, the drafting of contracts entered into by the Post-Office Department and the like.

Because of the varied nature of these duties it is somewhat difficult to convey in an official report an accurate idea of the extent of the work of the office of the Assistant Attorney-General. It will be seen, however, that they are of such a character as to involve a voluminous correspondence, it being requisite that, so far as possible, there shall be a complete record of each of the very numerous transactions.

OPINIONS RENDERED.

The records disclose that during the year ended June 30, 1903, there has been rendered 666 official written opinions, as compared with 785 such opinions rendered during the previous fiscal year. Of these, 554 were in the nature of rulings upon the admissibility of matter to the mails under the provisions of the act of September 19, 1890, amending sections 3894, 3929, and 4041 of the Revised Statutes, the question for determination in each of these cases being whether or not the plan of business to which such matter related was a lottery enterprise or a fraudulent scheme within the meaning of said act. Twelve of the schemes thus passed upon were those of what are known, respectively, as "bond investment," "debenture," and "home cooperative" companies, while the remaining 542 were proposed prize distributions. Of the whole number of opinions rendered in writing, 112 were upon miscellaneous questions of law, involving the construction and application of statutes, the interpretation of contracts, etc., and were addressed almost exclusively to officers of the Post-Office Department proper in response to inquiries from them. Besides the foregoing, many communications have been written to postmasters containing instructions or advice in respect of matters arising in their post-offices, and concerning which they were in doubt as to the proper course.

In addition to the opinions of which there is written record there has been given to departmental officers verbal and informal opinions, aggregating probably many more than the usual number, upon questions such as arise daily in the administration of postal affairs and which relate to matters requiring immediate disposition. The number of these, of course, is not recorded.

CONTRACTS EXAMINED.

Neither is there any record made of the contracts for supplies or services, or for the use of buildings as post-offices, postal stations, or like purposes, which are examined and approved by the Assistant Attorney-General as to form. These, however, total a large number in the course of a year.

CLAIMS FOR REWARD.

Claims for reward for services rendered in connection with the detection, apprehension, and conviction of post-office burglars and robbers, highway mail robbers, and other depredators upon the mails to the number of 106 have been examined and advice as to their allowance or disallowance conveyed in formal communications to the Fourth Assistant Postmaster-General, as against 99 such claims considered and passed upon during the previous fiscal year.

PETITIONS FOR PARDON.

The cases of 47 persons convicted of offenses against the postal service, and in behalf of whom petitions for Executive clemency were presented, have been reported upon to the Attorney-General, with recommendation that the petition be either granted or denied. In comparison with the preceding fiscal year there has been a falling off in such petitions to the number of 19.

OFFERS OF COMPROMISE.

During the year 42 offers made on behalf of mail contractors and postmasters to compromise indebtedness owing by them to the United States, and certified to the Postmaster-General by the Auditor for the Post-Office Department, under the provisions of sections 295 and 409 of the Revised Statutes, have been received from the Postmaster-General and returned to him with the advice that they be accepted or be rejected, in accordance with the circumstances of the particular case. This is an increase of 25 over the number of such offers received during the previous year.

CLAIMS OF POSTMASTERS FOR REIMBURSEMENT FOR LOSSES SUSTAINED.

The acts of Congress approved respectively May 9, 1888, and June 11, 1896, authorize the Postmaster-General to reimburse postmasters in sums not exceeding $10,000 for losses of United States funds resulting from "fire, burglary, or other unavoidable casualty" at their respective post-offices, as well as for losses of such funds in transit from postmasters to their designated depositaries. By the regulations of the Post-Office Department, as previously stated, there is assigned to the Assistant Attorney-General the duty of examining and considering claims of postmasters made in pursuance of these statutes and of advising the Postmaster-General as to their allowance.

During the year just closed there has been a considerable decrease in the number of such claims presented, as well as in the aggregate of the amounts allowed, as compared with the year preceding. In the year ended June 30, 1903, claims of this character to the number of 1,216 were received, while during the previous fiscal year the number received was 1,277. The total of the sums allowed was $144,467.91, as against $183,676.46 the preceding year. This showing, however, is somewhat deceptive, owing to the fact that of the total of the allowances for the fiscal year ended June 30, 1902, the sum of $74,610 was on account of funds lost in the burglary of the Chicago post-office of October 19, 1901. Exclusive of that allowance, which was made of course under authority of a special act of Congress, the total of the allowances for the year ended June 30, 1902, was $109,208.46; being $35,401.45 less than the total for the year just closed.

The number of claims settled, that is to say allowed or disallowed, was 1,296, being an increase of 89 over the number settled during the previous year. Of those allowed 2 were claims which had been previously disallowed, but which upon the presentation of new and additional evidence were reconsidered and allowed. The number of claims pending on June 30, 1902, was 674, while the number pending on June 30 last was but 596.

The appendix to this report is a detailed tabular statement showing the claims of postmasters for reimbursement for losses of money-order and postal funds, including stamps, which have been acted upon by the Postmaster-General from and including the date of July 1, 1902, to and including the date of June 30, 1903, with the amounts claimed, amounts allowed, disallowances, causes of loss, etc.

LOTTERY ENTERPRISES, SCHEMES TO DEFRAUD, ETC.

By sections 3929 and 4041 of the Revised Statutes, as amended by the act of September 19, 1890, the Postmaster-General is authorized, upon evidence satisfactory to him that any person or company is engaged in conducting through the mails a lottery or similar enterprise, or a scheme for obtaining money or property by means of fraudulent pretenses or false representations, to direct the postmaster at any post-office at which registered letters may arrive addressed to such person or company, to return such letters, stamped "fraudulent," to the writers thereof. Section 4041 as amended by the same act, empowers the Postmaster-General to forbid the payment of money orders drawn to the order of any person or company found to be using the mails in the conduct of a lottery or fraudulent scheme, and to provide by regulation for the repayment to the remitters of the sums named in such money orders. By the act of March 2, 1895, section 4, the provisions of section 3929, as amended, are extended to "all letters or other matter sent by mail."

In the usual course, evidence of the operation through the mails of lotteries or schemes to defraud is gathered by post-office inspectors, their investigations being instituted, generally, upon complaints received from the public; though where information comes to the officers that the mails are being misused in the conduct of such schemes they no doubt act upon their own initiative.

The reports of the inspectors, showing the results of their investigations and including the evidence discovered by them, are forwarded to the Assistant Attorney-General, through the Bureau of the Fourth Assistant Postmaster-General, of which the division of post-office inspectors is a part. The reports and evidence so submitted are here carefully examined, and in those cases in which it appears prima facie that the mails are being used in violation of the statutes the party seemingly responsible for the violation is furnished with a brief of the charges against him and at the same time cited either to appear in person or by attorney at this office at a designated date and reply to the same or to file a written answer to the charges on or before the date fixed. It is the present practice to require in every case that the answer be in writing, although the party accused is invited to supplement this by oral argument or explanation if he so choose. If, after consideration, it is concluded by the Assistant Attorney-General that a case of using the mails in the conduct of a scheme prohibited by the statutes has been established, a memorandum is prepared, showing in brief the evidence adduced, the written answer and oral explanations of the party accused, and the conclusions reached thereupon for submission to the Postmaster-General. Upon this memorandum or brief final action is taken by the Postmaster-General, consisting either in the issuance of a prohibitory order under authority of the statutes referred to or in the dismissal of the charges.

During the year 122 persons and concerns have been called upon to show cause why such orders, which have come to be known as "fraud orders," should not issue against them, on the ground that they were engaged in conducting through the mails lotteries or fraudulent schemes, and in 103 of these cases orders have been issued. Indeed, there was a total of 131 orders issued, but 13 of these were directed against the various branches of one company located in different cities, 15 against the branches or agencies of another, while in the case of each of two other concerns 2 orders were issued.

Of the total of 103 persons and concerns affected by fraud orders, 75 were found to be operating schemes to defraud; 8 were conducting unlawful bond investment or similar schemes, involving either fraud or the features of a lottery, or both; 16 were foreign lottery companies which were ascertained to be using the United States mails, and 4 were engaged in operating lotteries in the United States.

No record appears of the number of cases investigated by post-office inspectors, in which reports are submitted to this office, and in which the evidence furnished is found not to show prima facie the conduct through the mails of an unlawful scheme or enterprise. Naturally, however, these are many, running far into the hundreds each year. In some cases the report of the inspector is returned to the division of inspectors with the request that the matter receive further investigation, but in by far the greater number the papers are returned with the advice that the case be closed.

It is my belief, grounded, it is true, upon a rather brief experience in the administration of these statutes, that they are sufficiently broad to afford authority for the suppression of devices of any and every kind, designed by deceptive statements, concealments, or false or misleading representations, to impose upon the public through the medium of the mails; and it is the present policy so to construe and apply them as to give to the public the fullest possible protection from fraud and imposition. In the enforcement of these statutes, however, the Department is dependent in a very large degree upon its force of post-office inspectors. It is these officers who must gather and submit the evidence necessary to establish the fact that the mails are being used improperly and in violation of law; and this, in numerous instances, is a most difficult and exacting task. It is my observation, however, that it is one which, very generally, is exceedingly well performed; that without exception there is evident a conscientious purpose on the part of the officers to discover the facts, and to report them impartially and without favor; and, accordingly, that their statements and findings may be with safety very fully relied upon. With the active support and cooperation of this corps of trained, experienced, and highly efficient officers, it is confidently hoped to make the use of the mails for illegitimate purposes a business so precarious and uninviting that few will undertake to engage in it.

GUESSING CONTESTS, BETTING SCHEMES, ETC., SHOULD BE PROHIBITED.

The provisions of the act of September 19, 1890, prohibiting the transmission in the mails of matter relating to "lotteries, so-called gift concerts, and similar enterprises offering prizes dependent upon lot or chance," have been construed by Attorneys-General of the United States, and by one of the Federal courts before which a test

case was brought, as not including those schemes which are now commonly known as "guessing contests," and into which mental calculation enters. Without doubting the correctness of this construction from a legal point of view, it may be said that its effects have been most unfortunate. These so-called guessing contests, designed and intended to evade the prohibitions of the lottery statute, while at the same time retaining all the allurements of a lottery, are constantly increasing, both in number and magnitude, and so far as relates to their effect upon the popular mind and character, no essential difference is observed between them and ordinary lotteries. Both tend most strongly to foster and develop the gambling spirit, especially in the young, and consequently to lower and corrupt the public morals. In very numerous instances these schemes furnish to irresponsible concerns the means of disposing of worthless stocks and of exploiting "wild-cat" financial enterprises, the prospect of obtaining for a small payment not only a share of stock in an incorporated company, but in addition a chance to win a large money prize, being altogether too inviting to be resisted by the credulous and unsophisticated.

Most unfortunately, it would seem, many of the leading daily newspapers, some periodical publications, and hundreds of small weekly journals throughout the country have taken up and are carrying on these contests with the object of attracting the public and increasing the number of their subscribers, while mercantile houses, large and small, wholesale and retail, as well as many manufacturing concerns, are using them as advertisements to stimulate patronage, thus giving the schemes a semblance of respectability to which they have no real claim.

As these schemes multiply and the prizes offered increase in amount, their pernicious effect becomes more and more obvious, but under the present law as it has been interpreted the Post-Office Department is powerless to check them. It seems to me, therefore, that the existing statute should be so amended as to prohibit in terms not open to doubt or evasion the use of the mails in any manner in the conduct of such schemes.

It appears, also, that the present laws do not provide authority for the exclusion from the mails of matter relating to schemes contemplating the placing of bets or wagers on horse races or like events, except where it is shown that fraud is being practiced. Such schemes are becoming very numerous and are widely advertised, remittances of money being solicited from the public by gambling concerns to be bet or wagered on sporting events under so-called systems of betting in which the chances of loss are represented to be reduced to the minimum. These enterprises, in addition to their exceedingly demoralizing tendencies, are wide open to fraudulent practices, and have resulted in fraud on a large scale in many instances, yet from the very nature of the scheme it is frequently difficult to discover evidence of fraud sufficient to warrant the issuance of a fraud order or to sustain a criminal prosecution. Accordingly, it is regarded as highly important that the present laws be so extended as to prohibit the operation by mail of this particularly offensive and mischievous class of schemes.

I advise that Congress be asked at its approaching session to amend the act of September 19, 1890, so as to accomplish both these objects,

and to provide authority under which an end may be put to these two classes of serious abuses of the postal privilege.

APPROPRIATION FOR PRINTING AND BINDING OPINIONS.

In the act making appropriations for the service of the Post-Office Department for the current fiscal year is contained an item appropriating the sum of $5,000 for "printing and binding the Opinions of the Assistant Attorney-General for the Post-Office Department." In pursuance of this appropriation some work has been done in the direction of preparing for publication such of the opinions of Assistant Attorneys-General for the Post-Office Department as it seems important permanently to preserve for purposes of reference. The sum of $5,000, however, is wholly inadequate to meet the cost of putting into print and properly binding these opinions. According to an estimate received from the Public Printer the expense of this work would be not less than $15,000. When it is considered that these opinions cover a period reaching back to the time of the creation of the office, more than thirty years ago, and that although it is desirable almost daily to refer to some of them, this is possible in many cases only after searching through scores of letter books, the importance of consolidating them into printed books properly digested and indexed for ready reference will be at once seen. The increasing necessity of this work has been remarked in several of the annual reports of my predecessors, and it is evident that it will become each year more pressing. It is strongly urged therefore that the sum of $10,000 additional to the present appropriation of $5,000 be provided by Congress for the accomplishment of this work.

Respectfully submitted.

CHAS. H. ROBB,
Assistant Attorney-General
for the Post-Office Department.

Hon. HENRY C. PAYNE,
Postmaster-General.

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REPORT OF THE FIRST ASSISTANT POSTMASTER-GENERAL.

POST-OFFICE DEPARTMENT,
FIRST ASSISTANT POSTMASTER-GENERAL,
Washington, November 10, 1903.

SIR: In submitting the annual report of this Bureau for the fiscal year ended June 30, 1903, I desire to recommend that the Department be authorized to grant allowances for clerk hire at certain third-class post-offices.

In the attached report of the salary and allowance division the estimate is based on a scale of $600 for clerk hire at a third-class post-office where the salary of the postmaster is $1,900; $500 where the salary is $1,800; $400 where it is $1,700; and $300 where the salary is $1,600.

I am clearly of the opinion, however, that clerk hire should be allowed at all Presidential post-offices, and if Congress shall deem it wise to authorize the Department to make allowances for clerk hire at all third-class post-offices I would suggest that the scale be revised as follows: $100 where the salaries of the postmasters are $1,000 and $1,100; $200 where the salaries are $1,200 and $1,300; $300 where the salaries are $1,400 and $1,500; $400 where the salaries are $1,600 and $1,700; $500 where the salaries are $1,800 and $1,900.

If the appropriation is made on the latter basis, the estimate, $1,700,000, already submitted, is too low. It will require a total appropriation of $1,129,825 to provide for clerk hire at all third-class post-offices, thus increasing the estimates by $500,000, and making the total appropriation for clerk hire at third-class post-offices, and for separating mails at third and fourth class post-offices, and for unusual business, $2,200,000.

I also recommend a new classification act for clerks in first and second class post-offices, creating a number of new positions and abolishing the titles of all clerks below the grade of foreman, simply designating as "clerks" employees whose duties are purely clerical.

It further is recommended that the maximum allowance for fuel and light at third-class offices be increased from $60, as fixed by the present law, to $80 per annum.

In the estimates submitted we ask a lump-sum appropriation for clerks in first and second class post-offices. If Congress shall deem it advisable to continue the present method of segregating the appropriations, we have prepared estimates accordingly.

DIVISION OF SALARIES AND ALLOWANCES.

This division has charge of the annual readjustment of postmasters' salaries, allowances for clerk hire, rent, fuel and light, miscellaneous and incidental items, advertising, canceling machines, and all of the correspondence incident thereto; also supervision over the appointment and removal of clerks, the bonding of post-office clerks, the establishment of stations, the location of Presidential post-offices and leases, leaves of absence for postmasters, the regulation of hours of business at Presidential post-offices, and of box-rent rates and key deposits.

The office force consists of a general superintendent, an assistant superintendent, twenty-five clerks, a laborer, and two pages. In addition, seven assistant superintendents, designated as special agents, are assigned to field duty in the investigation of cases connected with the office.

The correspondence is large, 179,330 letters having been received during the last fiscal year and 144,759 sent.

The appropriations and expenditures for the last fiscal year were as follows:

Statement of appropriations and expenditures, fiscal year 1902–3.

Items.	Appropriation.	Expended.	Unexpended.	Expenditures exceeded appropriations.
Compensation to postmasters	$21,000,000.00	$21,656,948.07		[a]$656,948.07
Compensation to assistant postmasters at first and second class offices	1,701,500.00	1,622,730.12	$78,769.88	
Compensation to clerks in first and second class offices	[b]15,715,024.03	15,735,265.25		[c]20,241.22
Separating mails at third and fourth class offices	1,100,000.00	1,078,075.31	21,924.69	
Compensation to substitutes for clerks at first and second class offices on vacation	175,000.00	158,810.44	16,189.56	
Temporary clerk hire	175,000.00	168,500.17	6,499.83	
Rent, light, and fuel for first, second, and third class offices	2,400,000.00	2,360,968.91	39,031.09	
Miscellaneous items at first and second class offices	250,000.00	256,620.98		[c]6,620.98
Advertising and purchase of newspapers containing official advertisements	25,000.00	24,632.16	367.84	
Rental and purchase of canceling machines	190,000.00	195,803.46		[c]5,803.46
Compensation to assistant superintendents, division of salaries and allowances	14,000.00	14,000.00		
Per diem and other necessary expenses of assistant superintendents, division of salaries and allowances	10,220.00	7,623.46	2,596.54	
Copying presses, typewriting machines, envelope opening and sealing machines, adding machines and repairs thereto for use of the money-order service	20,000.00	19,751.76	248.24	
Total	42,775,744.03	43,299,730.09	165,627.67	689,613.73

[a] Salaries of postmasters fixed by law and deficiency appropriation usual.
[b] Including $25,224.03, transferred from compensation to postmasters on account of post-offices discontinued.
[c] Deficiencies made up by transfers from unexpended balances of other appropriations under authority contained in the acts making appropriations.

READJUSTMENT OF POSTMASTERS' SALARIES.

The twentieth annual adjustment of salaries of postmasters at first, second, and third class (Presidential) post-offices was made in compliance with the act of March 3, 1883, and the salaries fixed at 5,066 post-offices, based on the receipts for the four quarters ended March 31, 1903.

One hundred and twenty-six offices were advanced from the third to the second class, one from fourth to second class, and 25 from second class to first class; 2 offices were reduced from first to second class, 4 offices were reduced from second to third class, and 22 offices were relegated from the Presidential class to fourth class. During the year 332 offices of the fourth class were advanced to the Presidential class. The result of the readjustment is shown in the following tables:

Statement showing the number of Presidential post-offices, by classes, July 1, 1903, the aggregate of salaries, and the total gross receipts March 31, 1903.

Class.	Number of offices.	Salaries of postmasters.	Total gross receipts four quarters ended Mar. 31, 1903.
First	265	$932,900	$76,587,105
Second	1,208	2,831,800	18,818,909
Third	3,593	5,184,900	14,378,697
Total	5,066	8,949,400	109,784,711

THE READJUSTMENT BY CLASSES.

First-class post-offices:	
Number June 30, 1903	242
Second class advanced to first class July 1, 1903	25
First class relegated to second class July 1, 1903	2
Number July 1, 1903	265
Second-class post-offices:	
Number June 30, 1903	1,107
First class relegated to second class July 1, 1903	2
Second class relegated to third class July 1, 1903	4
Second class advanced to first class July 1, 1903	25
Third class advanced to second class July 1, 1903	126
Fourth class advanced to second class July 1, 1903	1
Number July 1, 1903	1,207
Third-class post-offices:	
Number June 30, 1903	3,690
Third class relegated to fourth class July 1, 1903	22
Third class advanced to second class July 1, 1903	126
Second class relegated to third class July 1, 1903	4
Fourth class advanced to third class July 1, 1903	48
Number July 1, 1903	3,594
First class July 1, 1903	265
Second class July 1, 1903	1,207
Third class July 1, 1903	3,594
Total Presidential offices July 1, 1903	5,066

Summary of adjustments of salaries of postmasters at Presidential offices July 1, 1902, and July 1, 1903, showing the net increase in the number of post-offices and the salaries of said postmasters.

Date.	Number of offices.	Aggregate salaries of post-masters.
July 1, 1902	4,783	$8,377,300
July 1, 1903	5,066	8,949,400
Increase	283	572,100

This increase is shown in detail as follows:

Date.	Number of offices.	Aggregate salaries of postmas-ters.
Total number of first, second, and third class post-offices whereat increases were made July 1, 1903	2,439	$301,500
New Presidential offices during the fiscal year:		
Oct. 1, 1902	65	72,400
Jan. 1, 1903	158	170,500
Apr. 1, 1903	60	65,400
July 1, 1903	49	55,500
Total	332	363,800
Grand total of increase		663,400
REDUCTIONS.		
Relegated to fourth class July 1, 1903	22	23,400
By reductions at 225 offices July 1, 1903		27,600
By Presidential offices discontinued	27	42,200
Total decrease	49	93,200
Net increase during year	283	572,100

Padding receipts.—As long as the salary and grade of a post-office are regulated entirely by the gross receipts the temptation to increase the receipts beyond the legitimate business of the office will exist. Local pride and the desire to outstrip a rival town often lead business men to purchase stamp supplies in excess of their needs for postage in order that the office may be advanced in class or produce sufficient revenue to entitle it to free-delivery service. Aside from the question of salary, the advantages to a postmaster of having his office advanced to the second class, or of being retained in that class, are so great that irregular and fraudulent methods are adopted in some instances to attain that end.

A number of such cases were investigated, the salaries fixed on the legitimate receipts, and, where fraud was shown, the postmasters were removed.

Estimates for postmasters' salaries.

Year.	Estimate.	Appropriation.	Expenditure.
1901–2	$18,000,000	$20,000,000	$20,783,920
1902–3	20,000,000	21,000,000	21,656,948
1903–4	21,500,000	21,750,000	

The growth of the postal service is shown by the steady increase in the number of Presidential post-offices and the necessary increase in the appropriation for postmasters' salaries. As the salaries are regulated by law, the expenditures usually exceed the appropriations. For the fiscal year ended June 30, 1903, the appropriation was $21,000,000, and the expenditures $21,656,948.07, a deficit of $656,948.07.

The appropriation for the current year is $21,750,000, and it is estimated that the expenditures will be $23,450,000, or a deficit of $1,750,000. An appropriation of $24,000,000 will be required, therefore, for the fiscal year beginning July 1, 1904. This is an increase of $2,250,000 above the appropriation for the current year, but an increase of only $550,000 above the estimated expenditures.

ASSISTANT POSTMASTERS AT FIRST AND SECOND CLASS POST-OFFICES.

Statement of appropriations and expenditures for assistant postmasters at first and second class post-offices.

Year.	Estimate.	Appropriation.			Expenditure.		
		Amount.	Increase.	Per cent of increase.	Amount.	Increase.	Per cent of increase.
1900–1901	$1,426,600	$1,347,700			$1,339,333.97		
1901–2	1,559,800	1,559,300	$211,600	15.70	1,479,674.05	$140,340.08	10.41
1902–3	1,701,500	1,701,500	142,200	9.12	1,622,730.12	143,056.07	9.67
1903–4	1,894,100	1,894,100	192,600	11.32			
Total			546,400			283,396.15	
Average			182,133			141,698.08	

For the fiscal year ended June 30, 1901, and for all years subsequent to that date, a separate appropriation has been made for assistant postmasters. Prior to July 1, 1900, chief clerks at second-class offices and assistant postmasters at first-class offices were paid from the appropriation for clerk hire. The act of Congress classifying clerks in post-offices makes no provision for assistant postmasters at second-class

offices, but provides for chief clerks. The appropriation acts, as stated above, have appropriated for assistant postmasters at second-class offices, but not for chief clerks. The maximum salary for an assistant postmaster at a first-class post-office is fixed by the classification act at not exceeding 50 per cent of the postmaster's salary, and it has been the policy of the Department to limit the salary at a second-class office to not exceeding 50 per cent of the salary of the postmaster. As a rule the salaries of assistant postmasters are fixed at exactly 50 per cent of the postmasters' salaries (in even hundreds of dollars), but under the present method of segregating the salaries into grades it is not always possible to allow the full amount. It is impossible to estimate the exact number of post-offices of the first and second classes there will be at the beginning of the next fiscal year, and how many there will be in each grade from $2,000 to $6,000, and therefore the appropriation should be in one sum rather than by grades. The present appropriation by grades provides for 1,522 assistant postmasters with salaries aggregating $1,894,100. It is estimated that there will be 125 post-offices assigned to the second class July 1, 1904, and I recommend that an appropriation of $2,000,000 be requested for compensation for assistant postmasters, an increase of $105,900. If the appropriation is made by grades, from $1,000 to $3,500, as in the present law, a larger appropriation, aggregating $2,082,700, will be necessary in order to allow a safe margin in each grade, as shown by the following statement:

Statement showing the number of assistant postmasters provided for in the appropriations for the current fiscal year and the estimated number for the next fiscal year.

Grade (salary).	Present.		Proposed.	
	Number.	Amount.	Number.	Amount.
$3,500	2	$7,000	2	$7,000
3,000	16	48,000	21	63,000
2,500	6	15,000	6	15,000
2,000	4	8,000	6	12,000
1,900	14	26,600	20	38,000
1,800	20	36,000	30	54,000
1,700	35	59,500	45	76,500
1,600	85	136,000	92	147,200
1,500	100	150,000	100	150,000
1,400	80	112,000	100	140,000
1,300	150	195,000	180	234,000
1,200	300	360,000	320	384,000
1,100	310	341,000	370	407,000
1,000	400	400,000	355	355,000
Total	1,522	1,894,100	1,647	2,082,700
Increase			125	188,600

CLERKS IN FIRST AND SECOND CLASS POST-OFFICES.

Prior to July 1, 1899, the appropriation for clerks in first and second class post-offices was made in one sum. For the fiscal year ended June 30, 1900, and for subsequent years, Congress has segregated the appropriation into grades, and has defined the number of clerks in each grade from $100 to $3,200. The decision of the Comptroller of the Treasury, rendered April 8, 1903, that the Department is not authorized to allow a greater number of clerks in any one grade than specified in the appropriation act necessitated a revision of the allowances previously authorized and the cancellation of a number of promotions.

It is manifestly impossible to estimate with any degree of accuracy the number of clerks required in each grade during the fiscal year ending June 30, 1905, and yet that is what is required under an appropriation in its present form.

Owing to the rapid growth of the postal service, it is not practicable to allow at the beginning of each fiscal year sufficient clerks at every office for the entire fiscal year. The Department must meet emergencies as they arise and increase or decrease the number of clerks from time to time, so that there will be no delay in the prompt handling of mails. I am convinced that the most economical plan is to have an appropriation for clerks in post-offices in one sum and that the present method of segregating the appropriation into grades should be discontinued. The present appropriation for clerks in post-offices is as follows:

For regular clerks at first and second class offices $18,113,900, segregated into grades, from $100 to $3,200; for substitutes for clerks on vacation, $200,000; for temporary clerks, $200,000, making a total of $18,513,900 available for clerk hire at first and second class post-offices. Estimating the increase in the number of first and second class offices at 125 at the next annual readjustment, I am of the opinion that $20,000,000 will be required for clerk hire. I therefore recommend that the appropriation of $20,000,000 for clerks at first and second class offices, including compensation to substitutes for clerks on vacation and for temporary clerks, be requested. This is an increase of $1,486,100 above the appropriation for the current year, or about 8 per cent. The growth of the service, as shown by the gross revenue for the last fiscal year, is about 11½ per cent. If this ratio of increase is maintained, the estimate for clerks in first and second class offices is too low, and it will be necessary to increase the estimate for clerk hire.

If the appropriation is not made in a lump sum, but segregated into grades, a much larger appropriation will be required, since a safe margin must be left in each grade, and as the allowances can not be apportioned economically on the first day of the fiscal year for the entire year, the appropriation must be increased sufficiently to allow for lapses.

The act of Congress classifying clerks in post-offices, though defective in many particulars, fixes the maximum and minimum salary of all classes of clerks in first and second class offices. No one has ever contended that the salaries of clerks in post-offices, under this law, are too high. On the contrary, the need for a revision of the classification act is to provide proper titles and to increase the maximum salary in certain grades. As the maximum salary of clerks is fixed by law, there is no economy in segregating the appropriation into grades. However, if it is desired to continue the appropriation by grades, I recommend an appropriation of $20,614,500, segregated into grades from $100 to $3,200, and an appropriation for temporary clerk hire and for substitutes in place of clerks on vacation of $250,000. This estimate involves an increase in the segregated appropriation of $2,500,600, and a reduction in the appropriations for temporary clerks and for substitutes for clerks on vacation of $150,000, or a net increase in the appropriation for clerks at first and second class post-offices of $2,350,600. This estimate provides for 12,150 promotions, 11,297 of which are in grades below $1,200.

A statement showing the present appropriation for clerks in first and second class post-offices, and the estimates, by grades, follows:

Grades.	Present.		Proposed.	
	Number.	Amount.	Number.	Amount.
$100	1,000	$100,000	1,200	$120,000
200	350	70,000	700	140,000
300	250	75,000	400	120,000
400	200	80,000	500	200,000
500	800	400,000	600	300,000
600	4,200	2,520,000	3,400	2,040,000
700	2,300	1,610,000	3,800	2,660,000
800	4,000	3,200,000	3,000	2,400,000
900	2,500	2,250,000	3,200	2,880,000
1,000	2,300	2,300,000	2,400	2,400,000
1,100	1,500	1,650,000	2,100	2,310,000
1,200	1,400	1,680,000	1,800	2,160,000
1,300	400	520,000	800	1,040,000
1,400	350	490,000	430	602,000
1,500	110	165,000	160	240,000
1,600	110	176,000	110	176,000
1,700	125	212,500	115	195,500
1,800	60	108,000	80	144,000
2,000	80	160,000	75	150,000
2,100	16	33,600	25	52,500
2,200	30	66,000	25	55,000
2,400	25	60,000	25	60,000
2,500	10	25,000	10	25,000
2,600	30	78,000	20	52,000
2,700	20	54,000	26	70,200
3,000	6	18,000	6	18,000
3,200	4	12,800	4	12,800
Total	22,176	18,113,900	25,006	20,623,000
Increase			2,830	2,509,100

The following tables show the appropriations and expenditures for clerk hire at first and second class post-offices:

Statement of appropriations and expenditures for clerk hire at first and second class post-offices and stations connected therewith.

[Expenditures on account of separating mails at third and fourth class offices are included in years prior to 1899–1900.]

Year.	Estimate.	Appropriation.			Expenditure.		
		Amount.	Increase.	Per cent of increase.	Amount.	Increase.	Per cent of increase.
1894–95	$9,700,000	$9,700,000.00	$890,000.00	10.10	$9,417,988.52	$681,977.52	7.81
1895–96	10,100,000	10,100,000.00	400,000.00	4.12	9,975,649.67	557,661.15	5.09
1896–97	10,500,000	10,400,000.00	300,000.00	2.97	10,375,088.39	399,438.72	4.00
1897–98	11,000,000	10,600,000.00	200,000.00	1.92	10,591,857.69	216,769.30	2.09
1898–99	11,300,000	a 11,108,100.00	508,100.00	4.79	11,098,194.22	506,336.53	4.78
1899–1900	11,800,000	b 11,518,862.19	410,762.19	3.70	11,508,108.92	409,914.70	3.69
1900–1901	11,656,900	c 11,725,914.14	207,051.95	1.80	11,716,447.35	208,338.43	1.81
1901–2	13,300,000	d 13,051,648.81	1,325,734.67	11.31	13,164,807.98	1,448,360.63	12.36
1902–3	14,878,200	e 15,715,024.03	2,663,375.22	20.41	15,735,265.25	2,570,457.27	16.34
1903–4	18,101,900	18,113,900.00	2,398,875.97	15.26			
Total			9,303,900.00			6,999,254.25	
Average			930,390.00			777,694.92	

a Includes $8,100 deficiency appropriation.
b Includes $19,962.19 deficiency appropriation.
c Includes $21,214.14 transferred from compensation to postmasters on account of post-offices discontinued.
d Includes $12,948.81 transferred from compensation to postmasters on account of post-offices discontinued.
e Includes $25,224.03 transferred from compensation to postmasters on account of post-offices discontinued.

The excess of expenditures over appropriations in fiscal years 1901–2 and 1902–3 is covered by transfer from unexpended balances of other appropriations, as authorized by the acts making appropriations.

Statement of appropriations and expenditures for substitutes for clerks at first and second class post-offices on vacation.

Year.	Estimate.	Appropriation.			Expenditure.		
		Amount.	Increase.	Per cent of increase.	Amount.	Increase.	Per cent of increase.
1899–1900	$75,000	$75,000			$71,838.51		
1900–1901	100,000	125,000	$50,000	66.67	125,405.79	$53,567.28	74.57
1901–2	150,000	150,000	25,000	20.00	145,277.91	19,872.12	15.85
1902–3	200,000	175,000	25,000	16.67	158,810.44	13,532.53	9.31
1903–4	200,000	200,000	25,000	14.29			
Total			125,000			86,971.93	
Average			31,250			28,990.64	

The excess of expenditures over appropriation in fiscal year 1900–1901 is covered by transfer from unexpended balances of other appropriations as authorized by the act making appropriations.

Statement of appropriations and expenditures for temporary clerk hire.

Year.	Estimate.	Appropriation.			Expenditure.		
		Amount.	Increase.	Per cent of increase.	Amount.	Increase.	Per cent of increase.
1899–1900		[a] $75,134.14			$75,134.14		
1900–1901	$100,000	[b] 115,000.00	$39,865.86	53.06	114,361.41	$39,227.27	52.21
1901–2	125,000	125,000.00	10,000.00	8.98	123,155.59	8,794.18	7.69
1902–3	150,000	175,000.00	50,000.00	40.00	168,500.17	45,344.58	36.84
1903–4	200,000	200,000.00	25,000.00	14.29			
Total			124,865.86			93,366.03	
Average			31,216.46			31,122.01	

[a] Including $134.14, deficiency appropriation.
[b] Including $15,000, deficiency appropriation.

Promotions.—On July 1, 1903, all clerks in first and second class post-offices receiving less than $800 per annum who had rendered satisfactory service during the preceding fiscal year were allowed increases of at least $100. Unfortunately, in the grades between $800 and $1,400 there were not sufficient vacancies to allow of merited promotions, and a large number of deserving clerks were necessarily denied increases. In the grades above $1,400 there were sufficient vacancies to permit of promotions of superintendents and others where increases were warranted by the importance of the positions and the capabilities of the employees. These facts furnish an additional argument for making the appropriations for clerks in first and second class post-offices in one sum rather than by grades, as canceling promotions in the $800, $900, $1,000, $1,100, $1,200, and $1,300 grades naturally caused much dissatisfaction. However, the aggregate sum allowed for promotions was very large—about $1,000,000.

Bonds of post-office clerks.—Under the act of June 13, 1898, assistant postmasters at first, second, and third class post-offices, and cashiers at first and second class post-offices, and, when deemed necessary by the Postmaster-General, other employees of first and second class post-offices are required to give bond to the Government for the faithful discharge of all duties and trusts imposed upon them. Under this law 5,039 assistant postmasters at Presidential offices are now under bond to the United States, the amounts ranging from $1,000 to 25 per cent

of the bonds given by the postmasters. All cashiers at first and second class post-offices, finance clerks, stamp clerks, money order and registry clerks, and clerks in charge of stations, are under bond (these being positions of financial responsibility), and about 50 per cent of other employees, the latter being bonded upon recommendation of the postmasters. The law gives the post-office clerks the right to furnish either a personal or corporate surety.

The Department recently secured information as to the rates of premium charged by the various surety companies, which were found to be not uniform in different sections, but governed by competition, and has placed this information in the hands of postmasters for the guidance of employees. This will undoubtedly enable clerks to obtain surety company bonds at a minimum of cost.

Classification.—The service has to a certain extent outgrown the "classification act" passed in 1889. The maximum salaries should be raised in certain grades, and, where practicable, fixed on a percentage basis, and in a few instances the minimum salaries should be lowered. The title of "chief clerk" at second-class offices should be abolished and that of "assistant postmaster" substituted. Some additional titles should be created.

In the present law the maximum salary of superintendents of registry and superintendents of money order is less than superintendents of delivery and superintendents of mails, while the maximum salary of assistant superintendents of registry and assistant superintendents of money order is greater than assistant superintendents of mails and assistant superintendents of delivery.

The salaries of superintendents of divisions, cashiers, and auditors should be placed on the same basis, not to exceed 45 per cent of the postmaster's salary, as now fixed for superintendents of mails and superintendents of delivery.

The salaries of assistant superintendents, assistant cashiers, bookkeepers, finance clerks, secretaries, etc., should be fixed on a percentage basis, not to exceed 30 per cent of the postmaster's salary.

A number of additional titles should be created, such as superintendents of carriers, superintendents of inquiry, chief stamp clerks, inspectors of stations, night superintendents, and assistant superintendents of stations.

Such titles as separators, assorters, general delivery clerks, etc., are superfluous. All persons in first and second class offices employed in a purely clerical capacity should be designated as clerks.

The following is a complete classification of clerks in first and second class post-offices proposed to take the place of the present law:

CLASSIFICATION OF CLERKS AND EMPLOYEES IN FIRST AND SECOND CLASS POST-OFFICES.

The Postmaster-General is hereby authorized to classify and fix the salaries of the clerks and employees attached to the first-class offices from and after July 1, 1904, as hereinafter provided.

Assistant postmaster, salary not exceeding 50 per cent of the salary of the postmaster, graded in even hundreds of dollars, from $1,500 to not exceeding $4,000.

Superintendents of mails, superintendents of delivery, superintendents of money order, superintendents of registry, cashiers and auditors, not exceeding 45 per cent of the salary of the postmaster, graded in even hundreds of dollars, from $1,300 to not exceeding $2,700, except at New York, N. Y., and Chicago, Ill., where the salary shall not exceed 40 per cent of the salary of the postmaster.

Night superintendents, superintendents of carriers, superintendents of inquiry, and chief stamp clerks, salary, not exceeding 35 per cent of the salary of the postmaster, graded in even hundreds of dollars, from $1,000 to not exceeding $2,800.

Assistant superintendents of mails, assistant superintendents of delivery, assistant superintendents of money order, assistant superintendents of registry, assistant superintendents of stations, assistant cashiers, assistant auditors, private secretaries, chief clerks, finance clerks, and bookkeepers, salary, not exceeding 30 per cent of the salary of the postmaster, graded in even hundreds of dollars, from $900 to $2,400.

Superintendents of stations, salary, graded in even hundreds of dollars, from $1,100 to $2,500, according to the amount of business transacted.

Physician, at offices where the receipts are two million dollars and over, salary $1,700.

Clerks in charge of stations, salary, graded in even hundreds of dollars, from $100 to $1,000, according to the amount of business transacted.

Foremen of crews, salary, graded in even hundreds of dollars, from $1,200 to $1,600.

Clerks, salary, graded in even hundreds of dollars, from $500 to $1,400.

Printers, salary, graded in even hundreds of dollars, from $900 to $1,200.

Carpenters and pressmen, salary, graded in even hundreds of dollars, from $600 to $900.

Laborers, janitors, watchmen, messengers, and porters, salary, graded in even hundreds of dollars, from $400 to $700.

The Postmaster-General is hereby authorized to classify and fix the salaries of the clerks and employees at second-class offices as hereinafter provided.

Assistant postmaster, salary, not less than 40 per cent and not exceeding 50 per cent of the salary of the postmaster, graded in even hundreds of dollars, from $800 to $1,400, except at Ponce, Porto Rico, where the salary of the assistant postmaster may be $1,500.

Clerks in charge of stations, salary, graded in even hundreds of dollars, from $100 to $1,000, according to the amount of business transacted.

Clerks, salary, graded in even hundreds of dollars, from $300 to $1,200.

Laborers, salary, graded in even hundreds of dollars, from $300 to $600.

Provided, That when the salaries hereinbefore stated are adjusted and fixed, no clerk or employee shall be reduced or advanced in grade or salary without the approval of the Postmaster-General.

That all acts and parts of acts that conflict with the provisions hereinbefore stated are hereby repealed.

CLERK HIRE FOR THIRD AND FOURTH CLASS POST-OFFICES.

The present appropriation is for separating mails at third and fourth class post-offices. I am convinced that allowances for clerk hire should be made at the third-class post-offices irrespective of whether they have separating service or not and in addition to the allowance for separating service, provided the postmaster devotes his full time to the duties of the office.

The attention of Congress has been repeatedly called to the necessity of an allowance for clerk hire at the larger third-class post-offices in the annual reports of the Department. It does not seem fair that a postmaster should be compelled to pay out the greater portion of his salary for clerk hire. The extension of the rural free-delivery system has curtailed the separating service and necessarily the allowance for this service. This has affected more especially the larger third-class offices, and furnishes another argument for authorizing clerk hire for local work. During the current fiscal year the law giving the Department authority to make allowances for clerk hire on account of separating service or unusual business only, has been rigidly enforced, and therefore the necessity for amending the law as indicated is more apparent than ever.

I recommend, therefore, that the law be amended and the Department be authorized to make allowances in addition to the allowances for separating service, as follows:

Not to exceed $600 at all post-offices where the salary of the postmaster is $1,900 per annum;

Not to exceed $500 at all post-offices where the salary of the postmaster is $1,800 per annum;

Not to exceed $400 at all post-offices where the salary of the postmaster is $1,700 per annum;

Not to exceed $300 at all post-offices where the salary of the postmaster is $1,600 per annum.

If this authority is given the Department, it is estimated that it will require an appropriation of $1,700,000 for separating service and for clerk hire at third and fourth class post-offices. This is an increase of $400,000 above the present appropriation.

In the small fourth-class post-offices the allowances for separating service should be made as additional compensation to the postmaster, since there is not sufficient local work to keep the postmaster employed, and there is no necessity for a clerk. I recommend that section 3859 of the Revised Statutes be amended to read:

The Postmaster-General may designate offices at the intersection of mail routes as distributing or separating offices, and where any such office is of the third or fourth class he may make a reasonable allowance to the postmaster for the necessary cost of clerical services arising from such duties, *or, in the case of small fourth-class post-offices, allow additional compensation to the postmaster out of the appropriation for separating service.*

The words in italics show the amendment proposed.

The estimates, appropriations, and expenditures for clerk hire for third and fourth class post-offices since 1899 are as follows. Prior to July 1, 1899, expenditures on account of separating mails were paid from the appropriation for clerk hire at first and second class post-offices.

Year.	Estimate.	Appropriation.			Expenditure.		
		Amount.	Increase.	Per cent of increase.	Amount.	Increase.	Per cent of increase.
1899–1900		$750,000			$749,615.14		
1900–1901	$900,000	900,000	$150,000	20.00	888,493.06	$138,877.92	18.53
1901–2	1,050,000	1,050,000	150,000	16.67	1,003,259.88	114,766.82	12.92
1902–3	1,100,000	1,100,000	50,000	4.76	1,078,075.31	74,815.43	7.46
1903–4	1,300,000	1,300,000	200,000	18.18			
Total			550,000			328,460.17	
Average			137,500			109,486.72	

RENT, FUEL, AND LIGHT FOR PRESIDENTIAL POST-OFFICES.

With the exception of post-offices in Government buildings, allowances for rent, fuel, and light are made at all Presidential offices and for the branch post-offices or stations connected with first and second class offices. The renting of buildings for the use of post-offices and stations necessarily involves the question of location, and all of the correspondence incident to changes of site and allowances are embraced in the rent, fuel, and light cases.

Leases for post-offices.—The advantages of securing a permanent location for a post-office under a lease for a term of years are many, and it has been the policy of the Department to enter into leases for post-office buildings whenever advantageous terms can be obtained. As a rule, the leases provide for the furnishing by the lessor of the equipment of boxes, fixtures and furniture, the heating and lighting, and a fire and burglar proof safe or vault. Under the law leases may be made for a term of five or ten years.

The increase in rental values and the increase in the cost of fuel and light is very forcibly brought to the attention of the Department in the handling of lease cases. Whenever a lease expires it usually means an increase in the allowance, since it is rarely possible to renew the lease on the same terms. A concise statement of the lease business is shown in the following table:

Class.	Number of post-offices in Government buildings.	Leased premises.	
		Number.	Rental.
First class	171	69	$129,152
Stations	2	325	562,029
Second class	89	892	630,819
Stations		15	5,016
Third class	24	391	122,025
Fourth class	1		
Total	287	1,692	1,449,041

Stations.—The establishment of branch post-offices or stations affects both the clerk-hire appropriation and the rent, fuel, and light appropriation, although in many cases stations are established to relieve the overcrowded and congested condition of the main office (owing to the rapid growth of the postal service many of the Government buildings are too small) and the clerks are simply transferred from the main office. During the year 120 full stations were established, of which 47 were in the place of post-offices consolidated with other offices. In addition to the full stations or branch offices established, 571 numbered stations were established, of which 37 were in place of post-offices discontinued and consolidated with other offices. Five full stations and 16 numbered stations were discontinued during the year, and 12 numbered stations were made full stations. Numbered stations do not handle any mail, but simply issue and pay money orders, register letters and parcels, and sell stamps, the expense of maintenance ranging from $100 to $900, according to the amount of business transacted. In some instances the business is very large, the combined money-order and registry transactions in one case amounting to 51,325 and the stamp sales to $205,558.58 in one year. The number of such stations in operation on June 30, 1903, was 2,413, and to the establishment of these stations may be ascribed in part the growth of the money-order and registry business. There were also 792 full stations in operation June 30, 1903.

Estimate.—As stated before, the increase in rental values and the cost of fuel is pronounced, and something the Department can not control. Salaries may be reduced, but the Department must make the best terms possible when it comes to renting a building for a post-office. The present law limits the amount that may be allowed a third-class office for fuel and light to $60 per annum. I am convinced that the limit is too low. The introduction of the electric-lighting system in small towns necessitates a more modern method of lighting post-offices of the third class. I therefore recommend that the limit for fuel and light for third-class post-offices be raised to $80 per annum. The number of Presidential post-offices on July 1, 1903, was 5,066, an increase of 283 during the year. It is probable that this ratio of increase will continue during the current year and that on July 1, 1904, the Presidential post-offices will number 5,360.

The Treasury Department estimates that 21 Government buildings in which post-offices will be located will be completed during the present year, and if so, a saving of $21,510 annually in rent, fuel, and light will be effected, but taking into consideration the small balance of the present appropriation remaining and the probable growth of the service, I am of the opinion that an appropriation of $2,750,000 will be required for rent, fuel, and light at first, second, and third class post-offices, and so recommend.

Below will be found a table showing the estimates, appropriations, and expenditures since 1894:

Statement of appropriations and expenditures for rent, fuel, and light at first and second class post-offices and stations connected therewith, and at third-class post-offices.

Year.	Estimate.	Appropriation.			Expenditure.		
		Amount.	Increase.	Per cent of increase.	Amount.	Increase.	Per cent of increase.
1894–95	$1,505,000	$1,505,000	$73,000	5.10	$1,430,432.58	$44,488.25	3.1
1895–96	1,600,000	1,600,000	95,000	6.31	1,456,293.04	25,860.46	1.81
1896–97	1,600,000	1,600,000			1,507,459.61	51,166.57	3.51
1897–98	1,600,000	1,600,000			1,598,563.17	91,103.56	6.05
1898–99	1,750,000	[a] 1,701,000	104,000	6.80	1,697,586.32	99,023.15	6.29
1899–1900	1,750,000	[b] 1,825,000	121,000	7.10	1,803,541.13	105,954.81	6.24
1900–1901	1,950,000	1,950,000	125,000	6.85	1,948,711.76	145,170.63	8.05
1901–2	2,100,000	[c] 2,150,000	200,000	10.26	2,125,154.03	176,442.27	9.05
1902–3	2,250,000	[d] 2,400,000	250,000	11.63	2,360,968.91	235,814.88	11.10
1903–4	2,500,000	2,550,000	150,000	6.25			
Total			1,118,000			975,024.58	
Average			111,800			108,336.06	

[a] Includes $4,000 deficiency appropriation.
[b] Includes $25,000 deficiency appropriation.
[c] Includes $50,000 deficiency appropriation.
[d] Includes $50,000 deficiency appropriation.

Box-rent rates.—The supervision of box-rent rates is one of the duties assigned to this division. Box rents are a source of considerable revenue to the Department. The total receipts from this source for the four quarters ended March 31, 1898, were $1,754,382. For the four quarters ended March 31, 1902, the revenue was $2,092,767, and for the four quarters ended March 31, 1903, $2,178,148. An ideal system would be uniform box-rent rates at all post-offices. This has been found impracticable, however, although as near as possible uniform rates have been established.

The extension of the free-delivery service, both city and rural, diminishes the receipts from box rents, yet receipts from this source are gradually increasing.

Under the present laws postmasters are required to furnish the box outfits except at post-offices located in Government buildings and in buildings where the lessors are required to provide the furniture.

Key deposits.—The deposit required for keys for lock boxes was reduced in April, 1895, from 50 cents to 20 cents. At this rate lost and withheld keys are replaced in many cases at a less cost than 20 cents, and as many box renters return keys without claim for deposits and for other reasons, a small surplus accrues in the key fund. The total amount of surplus accruing during the fiscal year ended June 30, 1903, was $2,533.56. The aggregate amount since January 1, 1885, is $63,000. These amounts have been deposited by postmasters, under instructions from the Department, as miscellaneous receipts. It is not always possible to secure the return of keys after a box renter gives

up his box, and additional keys are sometimes secured by patrons through local locksmiths without making application to postmasters. Patrons should be required to return keys when they give up their boxes, and the purchase of keys, except through postmasters, should be prohibited by law. The best interests of the service demand legislation making postmasters responsible for key funds.

MISCELLANEOUS ITEMS.

Statement of appropriations and expenditures for miscellaneous and incidental items directly connected with first and second class post-offices, including furniture, cleaning, electric motors and power, and all other items of expense not specifically provided in other appropriations.

Year.	Estimate.	Appropriation. Amount.	Increase.	Per cent of increase.	Expenditure. Amount.	Increase.	Per cent of increase.
1894–95	$140,000	$140,000.00	$15,000.00	12	$119,644.10	$7,956.10	7.13
1895–96	150,000	150,000.00	10,000.00	6.67	142,489.78	22,845.68	19.09
1896–97	150,000	150,000.00	.....	.....	149,696.89	7,207.11	5.06
1897–98	150,000	150,000.00	.....	.....	148,436.65	a 1,260.24	a .84
1898–99	200,000	b 175,066.50	25,066.50	16.71	175,066.50	26,629.85	17.94
1899–1900	200,000	200,000.00	24,933.50	14.24	199,131.25	24,064.75	13.75
1900–1901	250,000	225,000.00	25,000.00	12.50	225,022.19	25,890.94	13
1901–2	250,000	250,000.00	25,000.00	11.11	254,744.83	29,722.64	13.21
1902–3	250,000	250,000.00	.....	.....	256,620.98	1,876.15	.67
1903–4	250,000	250,000.00	.....	.....	.....	.....	.....
Total	.....	.....	125,000.00	.....	.....	144,932.98	.....
Average	.....	.....	12,500.00	.....	.....	16,103.66	.....

a Decrease. b Includes $66.50 deficiency appropriation.

The excess of expenditure over appropriation in fiscal years 1900–1901, 1901–2, and 1902–3 are covered by transfers from unexpended balances of other appropriations as authorized by the acts making appropriations.

Out of this appropriation are paid all of the miscellaneous expenses of first and second class post-offices, such as telephone service, cleaning (janitor service), furniture, safes, typewriters, copying presses, numbering machines, motors, and cost of power for operating canceling machines, trucks, baskets, ice, and in fact, everything not specifically provided for in other appropriations. I recommend an appropriation of $250,000, the amount of the appropriation for the current year, and for each of the two preceding fiscal years.

ADVERTISING.

Statement of appropriations and expenditures for advertising.

Year.	Estimate.	Appropriation. Amount.	Increase.	Per cent of increase.	Expenditure. Amount.	Increase.	Per cent of increase.
1895–96	$15,000	$15,000.00	.....	.....	$10,569.01	.....	.....
1896–97	15,000	15,000.00	.....	.....	11,248.50	$728.49	6.90
1897–98	15,000	a 17,933.11	$2,933.11	19.55	17,932.49	6,643.99	58.85
1898–99	20,000	20,000.00	2,066.89	11.53	19,618.59	1,686.10	9.40
1899–1900	20,000	20,000.00	.....	.....	19,998.14	379.55	1.42
1900–1901	22,500	22,500.00	2,500.00	12.50	20,961.85	963.71	4.81
1901–2	25,000	25,000.00	2,500.00	11.11	22,825.28	1,863.43	8.89
1902–3	25,000	25,000.00	.....	.....	24,632.16	1,806.88	7.92
1903–4	25,000	25,000.00	.....	.....	.....	.....	.....
Total	.....	.....	10,000.00	.....	.....	14,072.15	.....
Average	.....	.....	1,250.00	.....	.....	2,010.31	.....

a Including $2,933.11 deficiency appropriation.

This appropriation is expended for advertising unclaimed letters and the time of closing foreign mails. A very small part of the appropriation is used in advertising for proposals to rent buildings for first and second class post-offices. The appropriation is so small that allowances for advertising unclaimed letters are made at a few of the larger post-offices only, and advertisements of the time of closing foreign mails are authorized at the important seaport cities. An appropriation of $25,000, the amount of the present appropriation, is recommended.

CANCELING MACHINES.

Statement of appropriations and expenditures for rental and purchase of canceling machines.

Year.	Estimate.	Appropriation.			Expenditure.		
		Amount.	Increase.	Per cent of increase.	Amount.	Increase.	Per cent of increase.
1894–95	$60,000	a $62,450.04	$12,450.04	24.90	$62,437.88	$16,758.60	36.69
1895–96	60,000	60,000.00	b 2,450.04	b 3.92	32,827.96	b 29,609.92	b 47.42
1896–97	60,000	60,000.00			52,016.20	19,188.24	58.05
1897–98	75,000	65,000.00	5,000.00	8.33	64,883.70	12,867.50	24.74
1898–99	125,000	100,000.00	35,000.00	53.85	99,330.08	34,946.38	53.86
1899–1900	150,000	150,000.00	50,000.00	50.00	149,426.55	49,596.47	49.68
1900–1901	200,000	150,000.00			149,534.48	107.93	.08
1901–2	200,000	190,000.00	40,000.00	26.67	199,415.40	49,880.92	33.37
1902–3	190,000	190,000.00			195,803.46	b 3,611.94	b 1.81
1903–4	300,000	250,000.00	60,000.00	31.58			
Total			200,000.00			150,124.18	
Average			20,000.00			16,680.46	

a Includes $2,450.04 deficiency appropriation. b Decrease.

The excess of expenditures over appropriations in fiscal years 1901–2 and 1902–3 is covered by transfer from unexpended balances of other appropriations, as authorized by the acts making appropriations.

In the act of Congress making appropriations for the service of the Post-Office Department for the current year is a provision directing the Postmaster-General to report fully to Congress whether machines should be rented or purchased, and all facts connected therewith, and what steps ought to be taken to protect the interests of the Government. This subject will be investigated by a committee appointed by the Postmaster-General, and a report will be made to Congress as soon as the committee has concluded its investigation. Pending a full investigation of the subject of canceling machines, last year's contracts have been renewed temporarily. There are now under contract 886 rented canceling machines, as follows:

Made by—	Number.	Rental.
International Postal Supply Co., New York, N. Y	250	$400
Barry Postal Supply Co., Oswego, N. Y	75	150
Columbia Postal Supply Co., Silvercreek, N. Y	42	150
Barr-Fyke Machine Co., Kansas City, Mo	37	150
Pneumatic Canceling Machine Co., Indianapolis, Ind	20	150
American Postal Machines Co., Boston, Mass	462	110

In addition to the rented machines, the Department in the last few years has purchased 100 Hampden and 410 Doremus's hand-power canceling machines for use in the smaller post-offices and in offices where electric power is not available. Of the 410 Doremus machines purchased only 240 have been paid for. The remaining 170, however, have been installed and are now in operation.

An appropriation of $250,000, the amount of the present appropriation, is recommended.

ASSISTANT SUPERINTENDENTS.

In the proper apportionment of the large appropriations assigned to this division, the services of assistant superintendents in the field are indispensable. Their work relates principally to the investigation of lease cases, changes of site, allowances for rent, fuel, light, clerk hire, etc.

The current appropriation provides for seven assistant superintendents of the salary and allowance division at $2,000 per annum each, with a per diem allowance of $4 when actually engaged in traveling on official business.

I recommend an appropriation of $24,220 for salaries and per diem, the amount of the present appropriation, and that the appropriation be made in one sum, rather than an appropriation for salaries and an appropriation for per diem.

Recapitulation of estimates.

Items.	Appropriation for 1903–4.	Estimate for 1904–5.	Increase.
Compensation of postmasters	$21,750,000	$24,000,000	$2,250,000
(Any portion thereof saved by the consolidation of post-offices under existing law shall be available for the payment of salaries of superintendents and clerks at stations established in lieu of the post-offices thus discontinued.)			
Assistant postmasters	1,894,100	2,000,000	105,100
Clerk hire, first and second class offices	18,513,900	20,000,000	1,486,100
Clerk hire, third and fourth class offices	1,300,000	1,700,000	400,000
Rent, fuel, and light	2,550,000	2,750,000	200,000
Miscellaneous and incidental items, first and second class offices	250,000	250,000	
Advertising	25,000	25,000	
For rental or purchase of canceling machines	250,000	250,000	
Assistant superintendents and per diem	24,220	24,220	
Provided, That 5 per cent of the foregoing appropriation for the division of salaries and allowances of the First Assistant Postmaster-General's Office may be available interchangeably for expenditures on the objects named; but no one item of the appropriation shall thereby be increased more than 5 per cent.			
Total	46,557,220	50,999,220	4,442,000

POSTAL MONEY-ORDER SYSTEM.

That the postal money-order system has been regarded, since its establishment, as a convenient agency by means of which the equivalent of money is safely transmitted through the mails is attested by the figures shown in the following tabulated statement of the principal domestic money-order transactions covering the period between the date of the inauguration of the system on November 1, 1864, and June 30, 1903:

Fiscal year ended June 30—	Number of money-order offices in operation.	Number of domestic money orders issued.	Amount of domestic orders issued.	Amount of orders paid and repaid.	Amount of fees and miscellaneous receipts.	Amount of expenses paid from receipts.	Excess of receipts over expenses paid from proceeds.
1865	419	74,277	$1,360,122.52	$1,313,577.08	$11,536.40	$18,584.37	
1866	766	243,609	3,977,259.28	3,903,890.22	35,803.06	28,664.27	$7,138.79
1867	1,224	474,496	9,229,327.72	9,071,240.73	70,889.57	44,628.96	26,260.61
1868	1,468	831,937	16,197,858.47	16,118,537.03	124,503.19	70,345.04	54,158.15
1869	1,466	1,264,143	24,848,058.93	24,654,123.46	176,247.87	110,694.00	65,553.87
1870	1,694	1,671,253	34,054,184.71	33,927,924.79	235,557.05	145,382.42	90,174.63
1871	2,076	2,151,794	42,164,118.03	42,027,336.31	295,563.38	194,381.60	101,181.78
1872	2,452	2,573,349	48,515,532.72	48,419,644.97	350,499.40	244,521.63	105,977.77
1873	2,775	3,355,686	57,516,216.69	57,295,012.27	354,816.66	286,232.66	68,584.00
1874	3,069	4,420,633	74,424,854.71	74,210,156.25	462,238.54	357,040.42	105,198.12
1875	3,404	5,006,323	77,431,251.58	77,361,690.75	494,717.27	374,575.18	120,142.09
1876	3,401	4,998,600	77,035,972.78	77,106,388.85	647,021.52	456,250.68	190,770.84
1877	3,697	4,925,931	72,820,509.70	72,908,475.25	624,409.66	524,478.47	99,931.19
1878	4,143	5,613,117	81,442,364.87	81,279,910.80	716,638.98	513,686.61	202,952.37
1879	4,512	6,372,243	88,254,641.02	88,006,200.20	799,347.09	575,386.32	223,960.77
1880	4,829	7,240,537	100,352,818.83	100,165,982.78	917,091.58	659,516.50	257,575.08
1881	5,163	7,663,232	105,076,769.35	104,924,853.61	967,772.93	715,458.29	252,314.64
1882	5,491	8,420,869	113,400,118.21	113,388,301.90	1,054,538.62	774,197.45	280,341.17
1883	5,927	8,807,556	117,329,406.31	117,344,281.78	1,102,838.42	791,133.75	311,704.67
1884	6,310	7,835,694	122,121,261.98	121,971,083.80	950,479.39	702,603.80	247,875.59
1885	7,056	7,725,893	117,858,921.27	117,996,205.06	925,125.03	681,150.06	243,974.97
1886	7,357	7,940,302	113,819,521.21	113,885,463.04	922,781.97	689,758.38	233,023.50
1887	7,853	9,232,177	117,462,660.89	117,264,026.66	914,076.57	402,458.59	511,617.98
1888	8,241	9,959,207	119,649,064.98	119,743,345.25	947,316.56	406,043.79	541,272.77
1889	8,727	10,130,140	115,081,845.79	115,281,906.94	933,821.35	399,856.65	533,964.70
1890	9,382	10,624,727	114,362,757.12	114,347,631.35	951,293.63	426,919.43	521,374.20
1891	10,070	11,451,274	119,422,236.50	118,843,875.71	1,005,298.19	455,626.36	549,671.83
1892	12,069	12,069,442	120,066,801.07	120,121,754.19	1,037,027.45	489,526.73	547,500.72
1893	18,434	13,309,735	127,576,433.65	127,697,381.70	1,121,207.62	552,256.34	568,951.28
1894	19,264	14,304,041	138,793,579.49	138,725,229.29	1,212,338.19	586,747.22	625,590.97
1895	19,691	22,031,120	156,709,089.77	156,159,689.26	1,292,331.97	631,299.70	661,032.27
1896	20,802	23,962,053	172,100,649.02	171,475,476.35	1,411,466.85	680,820.21	730,646.64
1897	21,082	25,169,055	174,482,676.94	174,302,783.18	1,458,258.86	668,028.01	790,230.85
1898	23,421	27,798,078	191,354,121.63	190,678,429.08	1,600,558.13	739,643.33	860,914.80
1899	26,784	29,007,870	211,213,592.84	211,458,156.83	1,718,045.49	619,743.32	1,098,302.17
1900	29,649	32,060,983	238,921,009.67	238,022,043.78	1,915,462.60	668,867.48	1,246,595.12
1901	30,529	35,586,379	274,546,067.34	273,582,258.02	2,147,215.10	715,772.52	1,431,442.58
1902	31,680	40,474,327	313,551,279.88	315,220,488.68	2,458,697.52	805,725.69	1,652,971.83
1903	34,547	45,941,681	353,627,648.08	353,173,320.52	2,801,705.64	896,818.01	1,904,887.63
Total		458,035,815	4,537,851,105.50	4,553,378,027.72			

Aggregate issues since organization of system.

Kinds of orders and notes.	Dates.	Number issued.	Amount issued.
Domestic orders	1864 to 1903	458,035,815	$4,537,851,105.50
International orders	1870 to 1903	20,590,763	323,578,480.68
Postal notes	1884 to 1894	76,284,173	126,474,027.15
Total		554,910,751	4,987,903,613.33

Below is shown the number of post-offices transacting money-order business at the close of the fiscal year ended June 30, 1903, the number of money-order offices established, and the number discontinued durin that period.

NUMBER OF MONEY-ORDER OFFICES.

Domestic:[a]	
In operation June 30, 1903	34,547
Established during year	3,398
Discontinued during year	531
Net increase	2,867
International:[a]	
In operation June 30, 1903	6,322
Established during year	1,902
Discontinued during year	36
Net increase	1,866

DOMESTIC MONEY-ORDER BUSINESS.

Number of orders issued during the year	45,941,681
Number of orders paid and repaid	46,850,819
Excess of payments and repayments	909,138
Amount of orders issued during the year	$353,627,648.03
Amount of orders paid and repaid	347,493,427.33
Excess of amounts of issues	6,134,220.70

DOMESTIC FEES.

The fees received for the issue of domestic orders, including those drawn for payment in Canada, Cuba, Newfoundland, and the Philippines, during the year amounted to $2,800,822.97, an increase of $347,599.89 as compared with the previous year.

The average fee received was 6.06 cents, which corresponds exactly with the average fee during the previous year.

The average amount of domestic orders issued was about $7.69, being 6 cents less than that for the year ended June 30, 1902.

A further comparison of the business of the last fiscal year with that of the preceding one shows—

(1) That there were 5,467,354 more orders issued.

(2) That there were 6,485,885 more orders paid and repaid.

(3) That, while the orders issued during the fiscal year ended June 30, 1902, represented $313,551,279.88, during the last fiscal year they aggregated in amount $353,627,648.03, being an increase of $40,076,368.15.

(4) That, while the orders paid and repaid during the year ended June 30, 1902, amounted to $315,220,488.68, during the last fiscal year they aggregated in amount $353,173,320.52, being an increase of $37,952,831.84.

[a] Postal money-order business is of two kinds, designated, respectively, as domestic and international. Domestic business is that conducted between post-offices which are under the exclusive control of the United States Post-Office Department, while international business is transacted between certain United States and foreign post-offices.

INTERNATIONAL MONEY-ORDER BUSINESS.

Number of international money orders issued during the year	1,914,149
Number paid and repaid	754,144
Excess of issues	1,160,005
Amount of international money orders issued during the year	$35,237,935.43
Amount paid and repaid	11,683,572.77
Excess of amounts of issues	23,554,362.66

INTERNATIONAL FEES.

The total amount of fees received for the issue of international orders was $371,440.68, not including those received on account of orders issued for payment in Canada, Cuba, Newfoundland, and the Philippines, which are necessarily combined with domestic fees owing to arrangement of Auditor's statistical tables. This sum exceeds by $90,932.14 the amount received during the previous fiscal year.

The average international fee was 23.45 cents, or 2.6 cents more than the average for the year ended June 30, 1902.

As compared with the figures of the international business of the preceding fiscal year, those for the past fiscal year show —

(1) An increase of 603,038 in the number of orders issued.

(2) An increase of 446,465 in the number of orders paid and repaid.

(3) An increase of $12,263,462.32 in the amount of orders issued.

(4) An increase of $5,861,843.11 in the amount of orders paid and repaid.

The apparent extraordinary increase in international business over that of last year is partially explained by reason of the fact that this year Canadian, Cuban, Newfoundland, and Philippines statistics (except as to fees) are included in international business, whereas in last year's report business with the four countries named was treated as domestic.

Aggregate number of transactions.

Domestic and international:	
Domestic orders issued	45,941,681
International orders issued	1,914,149
Domestic orders paid and repaid	46,850,819
International orders paid and repaid	754,144
Total	95,460,793

Aggregate amount of transactions.

Domestic and international:	
Domestic orders issued	$353,627,648.03
International orders issued	35,237,935.43
Domestic orders paid and repaid	347,493,427.33
International orders paid and repaid	11,683,572.77
Total	748,042,583.56

REVENUE.

The fees received for the issue of money orders constitute the principal source of revenue to the postal money-order system. An additional annual profit is also usually made as a result of the purchase of

bills of exchange in settlement of balances due foreign countries on money-order account. (See article on foreign exchange in this report.) The revenue thus received is deposited quarterly with the Treasurer of the United States for the service of the Post-Office Department. During the past year deposits of money-order revenue were made as follows:

Revenue for quarter ended—	Amount.	Deposited.
September 30, 1902	$491,970.38	Jan. 15, 1903
December 31, 1902	620,844.47	Apr. 15, 1903
March 31, 1903	563,924.27	July 17, 1903
June 30, 1903	563,169.12	Oct. 10, 1903
Total	2,239,908.24	
Increase over previous year	350,090.38	

TRANSFERS.

It is absolutely essential to the success of the system that money-orders shall be promptly honored when duly presented. It not infrequently happens, however, that the money-order funds on hand at a post-office are insufficient to meet the demand for payment of orders, and in these cases postmasters are required to use such of their postal funds as may be available. In order to do this it is necessary that, in each instance, formal transfer of funds from postal to money-order account be made, as otherwise the two accounts, which by law must be kept separately, would become involved. Such transfers are usually only partially repaid by transfers made by postmasters, under special authorization from the Department, from the money-order to the postal account; and settlements of the balances found by the Auditor to be due postal account are effected quarterly by the deposit of the necessary sum by the postmaster at New York, N. Y., under the direction of this office, with the Assistant Treasurer of the United States at New York City, to the credit of the Treasurer of the United States for the service of the Post-Office Department.

The following table shows the amounts thus transferred during the fiscal year and the dates on which settlements were made:

For the quarter ended—	Transferred to money-order account.	Transferred from money-order account.	Difference due postal account.	Difference due money-order account.	Settlement effected.
September 30, 1902	$785,845.47	$923,995.41		$138,149.94	Jan. 30, 1903
December 31, 1902	1,100,050.08	853,992.65	$246,057.43		Apr. 15, 1903
March 31, 1903	[a]1,246,573.83	940,812.18	305,761.65		July 7, 1903
June 30, 1903	1,473,360.57	1,190,984.49	282,376.08		Oct. 12, 1903

[a] $1,384,723.77 was actually transferred, but from this amount is deducted $138,149.94, representing the sum transferred on January 30, 1903, on account of quarter ended September 30, 1902.

It is worthy of note that for the first time in the history of the service the transfers from the money-order to the postal account exceeded during the quarter ended September 30, 1902, those made from the postal to the money-order account. This circumstance is largely due to the fact that, under an arrangement completed last year, payments are made to rural free-delivery and railway-mail employees through

postmasters for services in the field, instead of, as formerly, directly by the Department, and that in order to do this postmasters have in many instances to draw largely from their money-order funds by process of transfer. While an excess of transfers in any one quarter from the money-order to the postal funds has not since occurred, the arrangement referred to continues to reduce very materially the quarterly balances due postal account, as compared with those paid from money-order funds during recent years.

RESERVES.

In carrying out its policy of endeavoring to pay promptly all money-orders upon due presentation, the Department finds it necessary, from time to time, to allow postmasters at certain money-order offices to retain from deposit a fixed sum of money, which is known as a "reserve," the amount of which at the smaller offices is usually from $25 to $100. This reserve is in any case increased or diminished as occasion requires, and at a number of the larger offices amounts to a considerable sum. While in the majority of cases the reserve does not exceed $50, at the offices named below the conditions are such that from $10,000 to $300,000 have to be allotted:

New York, N. Y	$300,000	New Orleans, La	$20,000
Chicago, Ill	300,000	Cincinnati, Ohio	20,000
Philadelphia, Pa	250,000	Los Angeles, Cal	15,000
San Francisco, Cal	50,000	Austin, Tex	10,000
Boston, Mass	50,000	Honolulu, Hawaii	10,000
San Juan, P. R	40,000	Rock Island, Ill	10,000
St. Louis, Mo	30,000	Indianapolis, Ind	10,000
Washington, D. C	25,000	Baltimore, Md	10,000

At the close of the fiscal year covered by this report 16,142 offices had reserves, aggregating in amount $2,784,270. Of such reserves 3,880 were authorized during the year. It is proper to point out that this large sum of money constituting the reserve fund is not constantly retained from deposit, as postmasters are instructed to withhold only so much of the reserves allowed them as they find necessary to meet their requirements, and to deposit the remainder.

PAYMENTS OF INVALID DOMESTIC MONEY ORDERS.

Money orders become invalid and not payable if unpaid at the expiration of one year from the last day of the month of their issue. The amounts of invalid orders, as the cases are brought to the attention of the Department, are paid by warrants drawn by the Department on the Treasurer of the United States against a sum in his hands representing deposits made, from time to time, of money-order funds accrued from outstanding unpaid orders and postal notes.

During the year warrants to the amount of $141,233.36 were issued in payment of invalid money orders, and to the amount of $157.32 in payment of invalid postal notes.

COMPLAINTS OF IMPROPER PAYMENTS.

In case a complaint is received by the Department that a money order has been improperly paid, investigation is made with a view to determining whether the complaint is justified, and, if so, who should be held accountable for the improper payment. During the year such cases were disposed of as follows:

Result of investigation.	Number.	Amount.
Recovered from persons not entitled thereto	119	$2,379.44
Properly paid; no cause for complaint	113	2,108.82
Charged to paying postmaster	133	2,133.75
Charged to issuing postmaster	2	20.00
Charged to impropriety on part of remitter	2	8.00
Charged to impropriety on part of payee	3	49.47
Charged to impropriety on part of endorsee	1	1.00
Loss sustained by the Department	11	298.50
Unfinished, in process of adjustment	81	2,899.02
Total	465	9,898.00

A review of the above table shows that in 113 of the cases, involving $2,108.82, it was found that the orders had been properly paid. In 119 more, involving $2,379.44, the money improperly paid was recovered; and 81 cases, involving $2,899.02, were in process of adjustment at the close of the year. Of the remaining 152 cases, involving $2,510.72, the Department sustained a loss in 11 cases amounting to $298.50, the evidence in such cases not being sufficient to fix the responsibility upon the postmaster, remitter, payee, or endorsee. The other 141 cases were settled by charging the amounts involved to the postmasters or persons through whose fault the original wrong payments occurred.

In this connection attention is called to the fact that only 271 cases of actual wrong payment were adjusted during the year, which is in the ratio of one to every 172,881 of the payments and repayments of domestic and international money orders made within the year.

DUPLICATE DOMESTIC MONEY ORDERS.

Duplicate money orders are issued by the Department, upon proper application therefor, in the event of loss or destruction of the originals, or if the original bears more than the one indorsement allowed by law. It should be explained, however, that the stamp impressions which banks ordinarily place upon orders left with or sent to them for collection are not to be regarded as indorsements within the meaning of the law transferring ownership of the orders. (See sec. 1008, par. 5, Postal Laws and Regulations, 1902.) Repayment to the remitter is also made by duplicate in many cases where payment to payees engaged in conducting lotteries or other fraudulent schemes has been forbidden by the Postmaster-General, under the authority conferred by section 4041, Revised Statutes. During the year 78,202 duplicates were issued, or about 1 to every 589 originals issued—an increase in duplicates of 7,667 as compared with the preceding year.

DUPLICATE INTERNATIONAL ORDERS.

As a general rule, duplicates of international orders are drawn by the country of payment. Duplicates of Canadian, Cuban, French, Newfoundland, and Philippine orders, however, are drawn by the issuing country, while in the exchange of orders with Germany all duplicates are drawn by the United States Post-Office Department, which during the year drew duplicates as follows:

	Number.
Of orders issued abroad, drawn on United States	1,227
Of orders issued in United States, drawn on France	277
Of orders issued in or drawn on Germany	26
Of orders issued in United States, drawn on Canada, Cuba, Newfoundland, and the Philippine Islands	1,178
Total	2,708

REPAYMENT OF INTERNATIONAL ORDERS.

With the exception of Canadian, Cuban, Newfoundland, and Philippine orders, international money-orders of United States origin, valid or invalid, may not be repaid except upon an authorization issued by this office. If of foreign origin, the consent of this office must be obtained before repayment can be properly effected.

Valid Canadian, Cuban, Newfoundland, or Philippines orders may be repaid by the issuing country upon due presentation of the originals, provided an application for duplicate has not been certified.

REPAYMENT OF INVALID INTERNATIONAL ORDERS.

Invalid foreign orders of United States issue (except those drawn for payment in Canada, Cuba, Newfoundland, and the Philippine Islands) are repaid by means of authorizations drawn by this office after the amounts of the orders have been placed at the disposal of the United States by the respective foreign postal administrations concerned.

During the fiscal year ended June 30, 1903, 5,199 authorizations were issued for repayment of orders drawn in the United States for payment abroad, and in 2,502 cases this Department authorized foreign post departments to repay orders issued abroad and drawn on the United States.

PAYMENT OF INVALID INTERNATIONAL ORDERS.

Invalid international orders of foreign issue are occasionally paid in this country by means of duplicates issued by this office after consent to such issue has been obtained from abroad, but as a rule the amounts of such invalid orders are returned to the respective foreign countries for repayment there.

CANADA, CUBA, NEWFOUNDLAND, AND THE PHILIPPINE ISLANDS.

Money-order business with Canada, Cuba, Newfoundland, and the Philippine Islands, while international in character, is conducted in the main upon the domestic basis with respect to the fees charged, the

money-order forms employed, the issue of orders, the methods of effecting payment or repayment and accounting to the Auditor therefor, and the system of issuing and making application for duplicates.

The character of the business is international in that the settlements of accounts between the United States and the countries named are transactions between nations. Its operation is domestic in the features cited above; in its scope, which extends to all money-order offices in the United States, authority to draw orders upon and pay orders issued at money-order offices in those countries; and in that the rules and practices of the domestic system are generally applicable to the business, although certain rules of the international system are made use of when it is found necessary or expedient so to do.

Duplicates of orders not invalid by age are issued by the department of the country of origin, and postmasters in the United States are required invariably to forward applications for such duplicates, whether the orders be of domestic or foreign origin, to this office. By this system the Department is better enabled to supervise and record the issue of duplicates, and thus in a great measure prevent double payments.

The period of validity of orders issued in the countries named is like that of United States orders, viz, one year from the last day of the month of issue; but in the case of orders issued in Canada the limit may be extended by special authority of the Canadian post-office department.

Whenever it becomes necessary to replace with a substitute voucher an order which has become invalid by age, issued in the United States and payable in one of the countries named, this office issues a duplicate upon a special form adopted for the purpose, and such duplicate is valid as a voucher for one year from the date of its issue. The Cuban postal administration has adopted a similar form of duplicate to replace invalid orders issued in Cuba. The post-office departments of Canada and Newfoundland make use of their usual forms of duplicates to replace invalid orders issued in those countries.

Invalid orders issued in the Philippine Islands are replaced with warrants issued by the United States insular government of the Philippine Archipelago. This method is similar to that employed in the domestic business, an invalid order, issued and payable in the United States, being replaced with a warrant.

FOREIGN EXCHANGE.

Under the terms of every money-order convention to which the United States is a party, the balance due by the debtor country must be paid to the creditor country, either by deposits of money with such financial agents as the creditor country may designate, or by means of bills of exchange drawn on certain specified financial centers, such as London; Paris; Berlin; New York, N. Y., etc. Such bills are purchased by the debtor country at the best rates obtainable, and transmitted to the creditor country at stated periods.

In the exchange of money orders the United States is constantly debtor in large sums to nearly all the countries of Europe with which money-orders are exchanged, and also to Japan and Newfoundland; on the other hand, the British colonies, and the Central and South

American States, as well as Canada, Cuba, and the Philippine Islands, are generally debtors to the United States.

In the case of Great Britain a bill of exchange is bought for a certain percentage of the amount of each outgoing exchange list, and transmitted at the time the list is dispatched. For the other countries an approximate balance is struck each week, and the amount of such approximate balances, in even thousands, is remitted weekly by means of bills of exchange.

When the bills of exchange can be bought at rates less than those charged to the public for the purchase of money orders drawn in the monetary unit of the foreign country, the Department gains on the purchase. If the rates for the bills are higher than those charged to the public, the Department loses. The net gain in foreign exchange during the year was $77,247.81, being $27,272.68 more than the amount gained during the fiscal year ended June 30, 1902.

To the end that the Department may procure the bills of exchange at the lowest rates obtainable, bids are requested from some twenty prominent banks and banking firms in New York and the bills are bought from the lowest bidders, provided there are not outstanding against such firms unpaid bills of exchange amounting to a certain sum, usually $125,000.

Great Britain, Germany, France, Austria, Denmark, Norway, Sweden, Switzerland, and Italy report the payment of bills by cablegram, the cost of which is subsequently collected from the bankers from whom the bills in question were bought. The other countries simply acknowledge receipt and report payment by letter.

EXTENSION OF INTERNATIONAL SYSTEM.

During the year negotiations were completed for the exchange of money orders between this country and Costa Rica, Liberia, and the Transvaal, and such exchange was duly announced. A direct exchange is now maintained with the 46 following-named countries:

Apia, Samoa.
Austria.
Bahama Islands.
Belgium.
Bermuda.
Bolivia.
British Guiana.
British Honduras.
Canada.
Cape Colony.
Chile.
Costa Rica.
Cuba.
Denmark, Iceland, and Faroe Islands.
Egypt.
France (includes Algeria and Tunis).
Germany (includes Heligoland).
Great Britain and Ireland.
Greece.
Honduras (Republic).
Hongkong (China), British colony of.
Hungary.
Italy.
Jamaica.
Japan (includes Formosa).
Leeward Islands.
Liberia.
Luxemburg.
Mexico.
Netherlands.
Newfoundland.
New South Wales.
New Zealand.
Norway.
Portugal (includes Azores and Madeira).
Queensland.
Russia.
Salvador.
South Australia.
Sweden.
Switzerland.
Tasmania.
Transvaal.
Trinidad (includes Tobago).
Victoria.
Windward Islands.

INTERMEDIARY INTERNATIONAL SERVICE.

Announcements during the year were made of completion of arrangements for drawing orders on many remote points—some not heretofore covered in the exchange of orders—and others offering improved facilities, viz:

Alexandretta (or Iskanderoon or Scanderoon), Syria, through Austria.
Amoy, China, through Japan.
Andrijevica, Montenegro, through Austria.
Bethlehem, Palestine, through Austria.
Casablanca, Morocco, through Germany or France.
Cayman Islands (Caribbean Sea), through Jamaica.
Cettinje, Montenegro, through Austria.
Chavnik, Montenegro, through Austria.
Danilovgrad, Montenegro, through Austria.
Duala, Cameroons, Africa, through Germany.
Ducigno (or Ulcinj), Montenegro, through Austria.
Entebbe, Uganda, Africa, through Great Britain.
Fes or Fez, Morocco, through Germany.
Foochow or Foucheou (China), through France, Germany, Hongkong, or Japan.
Grahovo, Montenegro, through Austria.
Hankow or Hankeou, China, through France, Germany, Hongkong, or Japan.
Iskanderoon (see Alexandretta), through Austria.
Kampala, Uganda, Africa, through Great Britain.
Kaumi, China, through Germany.
Kiautschau, China, through Germany.
Kolasin, Montenegro, through Austria.
Larache, Morocco, through Germany.
Marrakesh, Morocco, through Germany.
Mashonaland (see Rhodesia, southern), through Great Britain.
Matabeleland (see Rhodesia, southern), through Great Britain.
Mazagan, Morocco, through Germany.
Mersina, Syria, through Austria.
Mogador, Morocco, through Germany.
Nazareth, Palestine, through Austria.
Niksic, Montenegro, through Austria.
Njegusch, Montenegro, through Austria.
Noko-To, Pescadores Islands, through Austria.
Northern Zambesia (see Rhodesia, southern), through Great Britain.
Omdurman (Sudan), through Egypt.
Pekin, China, through France, Germany, or Japan.
Pescadores Islands, through Japan.
Podgoritza, Montenegro, through Austria.
Port Said, Egypt, through France or Egypt.
Pristane, Montenegro, through Austria.
Rabat, Morocco, through Germany.
Rhodesia, southern (including Mashonaland, Matabeleland, and northern Zambesia), through Great Britain.
Rieka (or Rijeka), Montenegro, through Austria.
Rufaa, Sudan, through Egypt.
Saffed (or Safed), Palestine, through Austria.
Safft, Morocco, through Germany.
Scanderoon (see Alexandretta), through Austria.
Shashe, China, through Japan.
Tiberias, Palestine, through Austria.
Tongku, China, through Germany.
Tripoli, Syria, through Austria.
Tsangkou, China, through Germany.
Tschingkiang, China, through Germany.
Tsingtau, China, through Germany.
Velimlic, Montenegro, through Austria.
Virbazar, Montenegro, through Austria.
Weihsien, China, through Germany.
Zambesia, northern (see Rhodesia, southern), through Great Britain.

MONEY-ORDER FUNDS LOST BY BURGLARY, IN TRANSIT, ETC.

Money-order funds intrusted to the care of postmasters are frequently lost in transit, or by burglary, flood, or other casualty, and in such cases the Postmaster-General is empowered by law to allow postmasters credit therefor after their claims have been examined and certified by the Assistant Attorney-General for the Post-Office Department. Such claims were duly allowed during the year in the following amounts:

Nature of loss.	Amount of loss.	Increase (+) or decrease (−) as compared with previous year.
By burglary of post-offices	$14,764.44	+$1,422.58
In transit between post-offices	3,047.12	− 1,136.38
By fire	897.16	− 190.39
By robbery and larceny	675.93	− 223.25
By floods and storms	67.38	+ 8.28
Total	19,452.03	− 119.16

REMITTANCES OF SURPLUS MONEY-ORDER FUNDS.

All money-order funds in excess of the "reserve" allowed any office, unless they do not amount to $50, must be remitted daily to the designated depository for that office, which in turn must remit to its depository and so on until the funds reach either the post-office at New York or Chicago, and when at the subtreasury in the latter city there is a sufficiently large amount of such funds, that amount is transferred to the subtreasury in New York City and there placed to the credit of the Postmaster-General's money-order disbursing account. In this way the working capital of the system is centralized. At many offices the amounts of orders issued exceed those of the orders paid, and such offices must, of course, promptly remit their surplus so that by means of it other offices at which the payments exceed the issues may be supplied with the necessary funds with which to promptly pay orders.

The aggregate amount of such remittances made during the year was $27,345,998.92, an increase of $5,830,260.81, as compared with that of the fiscal year ended June 30, 1902.

MONEY-ORDER CREDITS WITH POSTMASTER AT NEW YORK.

If a postmaster has not sufficient available funds with which to pay money orders presented to him, he is required to apply promptly to this office for assistance. In such cases he is granted a credit on money-order account with the postmaster at New York (against which he may draw when necessary), duly instructed as to the use of such credit, and supplied with a book of 5, 10, or 15 blank drafts, as occasion may require.

On June 30, 1903, such credits were in effect to the number of 8,500, and the amount of money-order drafts paid by the postmaster at New York during the year was $27,634,138.85.

Credits of $15,000 or over are in effect at the following-named places:

Buffalo, N. Y.	$150,000	Salem, Mass.	$20,000
Washington, D. C.	100,000	Adrian, Mich.	20,000
Indianapolis, Ind.	100,000	Minneapolis, Minn.	20,000
Philadelphia, Pa.	75,000	Baltimore, Md.	20,000
Rock Island, Ill.	60,000	Rockford, Ill.	20,000
Des Moines, Iowa	50,000	Peoria, Ill.	20,000
Cincinnati, Ohio	50,000	Syracuse, N. Y.	20,000
Austin, Tex.	50,000	Nashville, Tenn.	20,000
Boston, Mass.	50,000	Louisville, Ky.	20,000
Topeka, Kans.	40,000	Guthrie, Okla.	20,000
St. Louis, Mo.	40,000	Hartford, Conn.	16,000
Rochester, N. Y.	40,000	Floral Park, N. Y.	15,000
Port Huron, Mich.	40,000	Sacramento, Cal.	15,000
Flint, Mich.	25,000	Cleveland, Ohio	15,000
Atlanta, Ga.	25,000	Dayton, Ohio	15,000
Omaha, Nebr.	20,000	Springfield, Ohio	15,000
Connellsville, Pa.	20,000	Allegheny, Pa.	15,000

As a notable illustration of the extent to which postmasters at some offices find it necessary to make use of the facilities extended to them in the way of New York money-order credits, it may be mentioned that during the fiscal year covered by this report the postmaster at Buffalo, N. Y., drew money-order drafts against his New York credit aggregating in amount $4,000,000.

General Statement of Receipts and Expenditures.

Domestic money-order business.

RECEIPTS.

Amount received for fees on orders issued	$2,800,822.97	
Amount of gain [a]	822.67	
		$2,801,705.64

EXPENDITURES.

Amount allowed postmasters at third and fourth class offices for commissions on orders issued [b]	864,182.28	
Lost remittances, burglaries, etc.	21,393.97	
Uncollected accounts of previous years	5,674.39	
		891,250.64
Net revenue		1,910,455.00

International money-order business.

RECEIPTS.

Amount received for fees on orders issued	$371,440.68	
Amount of gain on exchange	77,247.81	
		$448,688.49

EXPENDITURES.

Amount allowed postmasters at third and fourth class offices for commissions on orders issued	$5,567.37	
Amount allowed foreign countries:		
For excess of commissions on orders issued	113,610.29	
Incidental expenses	57.59	
		119,235.25
Net revenue		329,453.24

[a] Sales of waste paper, reimbursements by bankers of cost of cablegrams, etc.
[b] Three cents for each order issued.

Recapitulation of net revenue.

Revenue on domestic orders issued	$1,910,455.00	
Revenue on international money orders issued	329,453.24	
Total revenue		$2,239,908.24

INCIDENTAL EXPENSES OF THE SYSTEM.

The Post-Office appropriation bill approved April 21, 1902, making appropriation for the service of the Post-Office Department for the fiscal year ended June 30, 1903, set apart the following-named sums for use in meeting the incidental expenses of the postal money-order system, to wit:

Blanks, blank books, printed matter, metal advertising signs, twine, carbon paper and articles pertaining to its use in the issue and payment of money orders	$115,000.00
(*Provided*, That 5 per cent of the foregoing amount for blanks, blank books, etc., may be available interchangeably for expenditure on the three following items, but no one of such items shall thereby be increased more than 5 per cent.)	
Rubber and metal stamps and repairs thereto, ribbons, pads, and racks for the money-order service	8,000.00
Copying presses, typewriting machines, envelope opening and sealing machines and repairs thereto, for the use of the money-order service	20,000.00
Exchange on drafts, stationery, and necessary miscellaneous expenses of the money-order service	15,000.00
Total appropriations	158,000.00

Payment of incurred incidental expenses has been made by means of warrants drawn against the respective appropriations, as follows:

Blanks, blank books, printed matter, metal advertising signs, twine, carbon paper and articles pertaining to its use in the issue and payment of money orders	$112,179.20
Rubber and metal stamps and repairs thereto, ribbons, pads, and racks for the money-order service	7,600.47
Copying presses, typewriting machines, envelope opening and sealing machines and repairs thereto, for the use of the money-order service	19,751.76
Exchange on drafts, stationery, and necessary miscellaneous expenses of the money-order service	9,270.46
Same, under appropriation for previous year	390.37
Total expenditures from appropriations	149,192.26

NIGHT SERVICE.

At quite a number of the leading post-offices within the last four years night money-order service has been established without overtaxing the clerical force and without additional cost for clerk hire, arrangements having been made by which money orders are issued and paid by the clerk at the general delivery window or the clerk at the stamp window after the hour at which the money-order divison itself is closed. This has been done mainly in the interest of transient persons (travelers) and of people of the working classes who can not well take or spare time to visit the post-office during the regular business hours. The plan, according to reports, has worked well. Its adoption, however, this far, as a rule, has been left optional with postmasters, absolute necessity therefor being obviated largely in many, and perhaps in most cases, by the establishment of stations at drug stores and other similar places which are kept open until a late hour in the evening.

At date of the last annual report the number of offices at which night money-order service had been established was 61. The number at which it is in operation at present is 93. Endeavor will be made to extend it as rapidly as circumstances require.

DIVISION OF POST-OFFICE SUPPLIES.

Under the Postal Laws and Regulations the division of post-office supplies is charged with the preparation of specifications, advertisements, and contracts for supplies; with ordering and receiving from contractors, and carefully inspecting the articles required to be furnished to post-offices and the postal service; stationery supplies for the use of the Department, including twine and facing slips for the Railway Mail Service; the purchase in open market, when the exigency of the service requires it, of all supplies not otherwise provided by contract, or which a contractor fails to furnish; the examination of requisitions of postmasters and Department officials for supplies, making proper allowances and issuing the same; the preparation of requisitions on the Public Printer for, and receiving and inspecting on receipt, all blanks required in the postal service and the Department, and the keeping of accounts of all expenditures with the several contractors, postmasters, and others.

Seven different committees are appointed by the Postmaster-General to examine all goods received under contract and to see that the same are in accordance with contract requirements, and that the proper quantities are received as ordered. The committees are, stationery, canceling ink and pads, wrapping paper and twine, printed envelopes, packing boxes and sawdust, rubber and postmarking stamps, and cut facing slips. These committees are composed of men who are usually qualified for such examination. On the receipt of goods they make their reports, which are forwarded with the vouchers to the Auditor and there filed. Whenever articles ordered fail to meet contract requirements, the goods are rejected. If, however, the needs of the service are such that the articles have to be accepted, a deduction is made for inferiority.

It was deemed for the best interests of the service to advertise in the annual proposals and specifications for bids on many of the money-order supplies, artists' materials used in the rural free delivery, and typewriting machines, which heretofore have been purchased outside of contract. Different prices were formerly paid for the same typewriters in different branches of the service. The bids received and contracts entered into for these machines have resulted in a uniform price throughout the service.

During the years 1900 and 1901 about 200,000 letter ties, to take the place of twine, were tested in the New England States under the supervision of the Superintendent of the Railway Mail Service, first division. Many tying devices were received from that time until December, 1902, and a number of inventors pressed their claims for orders, but no conclusion could be reached regarding their merits either as to utility or economy. The committee appointed to investigate the matter visited the New England States, where three styles of devices had been tested in all the postal and railway post-office lines. This committee visited a large number of all classes of post-offices and railway postal cars, interviewing employees of the service who had

actual experience with the ties in question. With few exceptions the clerks and officials of the service who handled these devices or had given close attention to them were in favor of continuing the exclusive use of twine for tying packages rather than adopting any of the tying devices that had been experimented with. Great publicity was given to the appointment of a committee to investigate the subject, and 27 devices were submitted. The committee in its report says:

> After careful consideration of all the points in favor of and against tying devices, the committee is of the opinion that there would not be sufficient economy in the tying devices to offset the many objections to them, and would therefore recommend the continuance of the exclusive use of twine for tying letter packages.

The Postmaster-General approved this report, and for the present experiments with all devices have been discontinued. Unless something more practical and economical than those tested is submitted to take the place of twine the matter will not be considered.

The Department has experienced much difficulty in obtaining legible postmarking and effective cancellation of postage. The report of the First Assistant Postmaster-General for the fiscal year ended June 30, 1897, shows in detail the condition of the postal service in respect to postmarking and back stamping. Since that time the quality of stamps, inks, and pads has been greatly improved, and postmasters of the first, second, and third class offices, and to some extent in the fourth class, have succeeded in greatly improving the postmarking of letters and the cancellation of postage stamps.

But in fourth-class offices the Department has to contend with conditions which have demonstrated the impracticability of obtaining satisfactory results from supplies formerly furnished. The steel stamp is too rigid to give a legible impression by inexperienced postmasters who handle usually but a small quantity of mail and possess little mechanical ingenuity. The ink is subjected to all kinds of temperature, and the pads are not used enough to keep them in proper condition.

The Department of Agriculture, while investigating methods for the manufacture of canceling ink, was requested by this office to extend its investigations to indelible stamping ink that could be used with rubber stamps. The Bureau of Chemistry of that Department, after exhaustive tests, issued circular No. 12, which treats of methods and gives formulas for making canceling ink with or without an oil base. During the past seven months tests have been made and special attention given to the latter ink by this office. The superintendent of the division of post-office supplies was instructed to experiment with rubber postmarking stamps and canceling ink, the ink to be made according to the formula given in circular No. 12, issued by the Bureau of Chemistry under authority of the Agricultural Department, which fully demonstrates the feasibility of using rubber stamps for postmarking, etc. About 2,500 offices, the annual gross receipts of which do not exceed $500 each, have been supplied with rubber-stamp outfits, and in every instance the postmasters' reports are strongly in favor of these supplies. The average saving in postmarking stamps and outfits would be over 60 per cent, compared with those furnished heretofore, and it is estimated that at least $6,000 will be saved annually by using the rubber stamps for the smaller offices, besides the results that will be obtained in legible postmarking on letters and complete cancellation of postage stamps.

Postmarking and back stamping is a matter in which all persons receiving mail are directly interested, and is especially insisted on by the commercial world, where an illegible postmark will frequently mislead as to the origin of a letter, while a date has to be consulted often in legal proceedings. Hence, cancellation, postmarking, and back stamping are of vast importance.

During the past fiscal year the service has been promptly supplied with all necessary stationery, letter balances, wrapping paper, twine, postmarking and rating stamps, inks, pads, rubber stamps, and printing. Whenever deemed advisable, postmasters and others, unless explaining the absolute necessity of supplies, were refused their requisitions. But in no instance was the efficiency of the service allowed to be impaired for lack of the necessary supplies.

An effort has been made to reduce the expenditures for printing and binding. The books which are simply of the character of memoranda, and handled for short periods, are to be printed on a cheaper quality of paper, and the binding changed from leather backs to that of canvas-made cases. It is estimated that the appropriation required for the next fiscal year will be $50,000 less than that for printing and binding during the present fiscal year.

I desire again to call attention to the necessity for a building in which to store the supplies for the service. I can not urge too strongly that an appropriation be made for a fireproof building for this purpose. The present rented quarters are entirely inadequate, and the danger of fire and consequent embarrassment to the service is a constant menace. The building now occupied by the supply division is of inflammable material, and the neighborhood in the rear is composed of barns and stables. The danger from fire is so great that a supply of blanks and books are stored in the Busch Building (also rented), so that in the event of accident there would be no interruption in the service. It would take many months to replace the supplies in stock.

TABLE I.—*Statement showing the appropriations for the fiscal year ended June 30, 1903, together with the unexpended balances for the same period.*

Stationery in the Post-Office Department (including the deficiency appropriation)	$9,000.00
Amount expended	8,116.47
Unexpended balance	883.53
Stationery in post-offices	70,000.00
Amount expended	68,760.66
Unexpended balance	1,239.34
Postmarking and rating stamps and repairs to the same, and ink and pads for stamping and canceling purposes	45,000.00
Amount expended	42,572.95
Unexpended balance	2,427.05
Letter balances, scales, and test weights, and repairs to the same	15,000.00
Amount expended	13,254.80
Unexpended balance	1,745.20

There were 977,286 pieces of the several classes of undelivered matter returned from foreign countries, a notable increase of 138,481, or more than 15 per cent. This total included registered matter, imperfectly addressed letters and postal cards, samples, etc.

The total number of pieces of mail matter of all kinds restored to owners unopened was 1,257,547, an increase over the previous year of 174,326, or more than 10½ per cent. As noted in the last report, this result could not have been accomplished had not the users of the mails availed themselves, to a larger extent than heretofore, of the privilege of placing their names and addresses on the wrappers of their letters and parcels.

Matter opened during the year, including letters and parcels, numbered 8,895,205 pieces, an increase of 678,798, or about 8¼ per cent.

Of the opened letters, 51,416 contained money to the amount of $48,634.04, or about the same as the last year. This total included the various small sums found loose in the mails, as above referred to. There were 52,864 which contained drafts, checks, notes, money orders, etc., of the face value of $1,493,563.65. This total also included letters containing deeds, wills, pension certificates, insurance policies, etc.

Opened letters and parcels delivered, held awaiting delivery, or filed because delivery could not be effected, numbered 2,967,814, an increase of 174,145.

It is thought proper again to call attention to the fact that the great preponderance of undeliverable matter is due to several noticeable causes, the principal being the failure of writers to give their names and addresses, and the dispatch of advertising and other printed matter under seal, which must necessarily be destroyed. Then, a very large percentage of the parcels are found not to contain merchandise matter at all, but catalogues and the like, medicines, and perishable articles of various kinds, which must be destroyed.

Photographs were received in letters and parcels to the number of 80,039, an increase of 8,731. The number containing postage stamps was 249,255; increase, 23,942.

Of the domestic misdirected letters, 79,085 were delivered unopened to corrected addresses. Of the letters of foreign origin, 12,832 were disposed of in like manner.

During the year two sales at auction of undeliverable merchandise matter were held, instead of one as heretofore. This was made necessary by a change in the regulations requiring matter of this character to be held for one year, and not for two, as in the past. At the regular annual sale, held in December, 1902, 28,382 parcels were disposed of, the gross proceeds being $3,535.85. At the special sale held in February, 1903, 104,854 were sold; gross proceeds, $5,244.15. Total number of articles sold, 133,236; total proceeds, $8,780. The net proceeds of both sales were $7,146.38, and this amount was delivered to the Third Assistant Postmaster-General for deposit in the Treasury.

There was also separated from filed letters which could not be restored to owners $13,812.39, which sum was disposed of in like manner.

Postage stamps to the amount of $5,821.90 were separated from letters which could not be restored; found loose in the mails or in postoffices; received in payment of held-for-postage matter forwarded to destination or on parcels returned to senders from the Dead Letter Office under penalty envelopes, and received from the Canadian postal administration in exchange for stamps of that country mutually

exchanged in accordance with an agreement between the two countries. These stamps were destroyed under proper supervision, of which duly authenticated reports are on file.

There were "jacketed," indexed, recorded, and arranged for search 31,995 written applications for missing mail matter, an increase for the year of 1,742. To these are to be added the large but indefinite number of searches made upon personal application and without the formality of a record. About 7,500 manuscript communications were written on a great variety of subjects pertaining to the treatment of mail matter, etc.

During the year the usual distribution of literature of various kinds, fancy cards, etc., which could not be restored to owners—among a number of the charitable institutions of the District of Columbia for the use of the inmates—was continued. The total number of pieces so disposed of was 20,970, including 5,400 magazines and 2,975 illustrated papers. This distribution is made in pursuance of a provision of the regulations and by authority of the Postmaster-General.

The second annual report of the operations of the dead-letter bureau of Hawaii, under the charge of the postmaster at Honolulu, has been received. The volume of matter handled, 20,973 pieces, shows a slight falling off from the preceding year, perhaps to be attributed to an improved delivery service. A curious and instructive item of this report is, that of the 8,424 pieces of matter returned to foreign countries, 3,750 pieces were returned to Japan, against 2,229 to the United States.

The annual report of the dead-letter bureau of Porto Rico, conducted in connection with the San Juan office, has also been received, and shows the continued successful operations of that office. The total number of pieces of matter received and disposed of during the fiscal year was 20,992.

DIVISION OF CORRESPONDENCE.

It is the duty of the division of correspondence to prepare replies to communications received from other divisions of the Department, from postmasters, or from others in the postal service concerning questions which involve the proper construction to be placed upon the postal regulations and orders of the Postmaster-General, and to correspond with postmasters and the public upon miscellaneous subjects not expressly assigned to other divisions of the Department.

So important in character are many of the inquiries received that any reply made thereto at variance with the law or usages of the Department might lead to great embarrassment to a postmaster or much inconvenience and even serious loss to an individual. Therefore, the proper performance of the duties assigned to the division requires a thorough knowledge of the statutes relating to postal subjects, of the regulations framed in accordance therewith, of the decisions of the courts, and of the rulings of the Department, which knowledge is acquired only by application and research.

Among the most important cases that come to this division are those which involve the question of the right of certain individuals or business firms to receive mail that is claimed by other individuals or firms, and the duty of postmasters in such cases, and questions as to the delivery of mail addressed to minors, pensioners, deceased persons, and others. The proper treatment of mail, the ownership of which

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Among the most important cases that come to this division are those which involve the question of the right of certain individuals or business firms to receive mail that is claimed by other individuals or firms, and the duty of postmasters in such cases, and questions as to the delivery of mail addressed to minors, pensioners, deceased persons, and others. The proper treatment of mail, the ownership of which

is in dispute, is exceedingly important, involving, as it frequently does, large commercial interests, and the decision in such case is an extremely delicate matter, the property right to mail that is claimed by rival firms or corporations, or persons representing conflicting interests being determined upon the prima facie evidence presented to the Department. There are, on an average, about three such cases daily to be disposed of, and I take pleasure in reporting that the decisions rendered and instructions given by this office have in no cases been reversed by the courts. In most cases the delivery of letters ought not to await the slow process of the courts, and postmasters, when in doubt, receive from this office instructions which enable them to make immediate disposition of the mail on hand.

Decisions as to whether or not certain matter shall be accepted for mailing are prepared in this division. Scurrilous and threatening matter, or that which by its terms or manner of display is calculated to reflect injuriously, is by law forbidden circulation in the mail when written or printed upon a postal card or upon the outside cover or wrapper. Obscene and indecent matter is also prohibited circulation in the mails. Decisions in these cases, however, are fraught with difficulties. The Department receives complaints from persons to whom advertisements have been sent, such as circulars and pamphlets so covertly worded as to make it appear that certain obscene and indecent articles will be forwarded, while, as a matter of fact, in many cases, the articles sent are of an entirely different nature and not such as may be considered objectionable. So-called medical pamphlets, which in many instances are laden with questionable cuts, allusions, and descriptions, also give rise to complaints from persons to whom such matter is sent. It has, however, been found exceedingly difficult to secure convictions for the mailing of obscene and indecent matter when the case is tried by jury, and when full and convincing proof of the intent of the mailing party must be thoroughly established.

PRIVATE POST-OFFICE BOXES.

The attention of Congress ought to be called to the private-letter-box abuse in large cities. It is often impossible to locate persons engaged in conducting fraudulent and unlawful correspondence through the mails, who, for a small sum, can rent a box in some cigar or stationery store through which to receive letters addressed to them, instead of having them addressed and delivered to their places of residence or from the post-office. The private-letter-box system has so many objectionable features that it should be abolished by law. Bills have been introduced in Congress, which, if enacted into law, would effectually abolish such interference with the postal service as well as remove an evil which is demoralizing in its results and serves to promote correspondence which could not otherwise be successfully conducted through the mails. For many years the Department has contended against the use of private post-office boxes for hire located in stores and other places not authorized by the Postmaster-General for post-office business. Various laws have been enacted by Congress calculated to prevent the mails becoming the medium through which fraudulent schemes for the sale of "green goods," lottery tickets, etc., may be conducted, certain correspondence being forbidden and penalties imposed for offenses against the law whenever the guilty parties are discovered and convicted.

The regulations concerning the delivery of mail authorize parents and guardians to control the mail of minor children whenever, in their judgment, it is necessary to exercise that discretion; they also forbid the delivery of fictitious matter unless directed for delivery at a designated place, the object of the regulations being to prevent, as far as possible, immoral as well as unlawful correspondence. When, however, as is frequently the case, such correspondence is directed for delivery at a certain street and number, private letter boxes are rented (to persons whose names, business, and responsibility are entirely unknown to the owner of the boxes), the regulations are evaded and mail delivered which could not be obtained from the post-office through the general delivery. In some instances it has proved impossible for the inspectors of the Department to sufficiently connect the addressees of letters directed to such places where private letter boxes are rented with a crime against the postal laws to secure their arrest and conviction, for when letters are delivered by carriers at a street and number and subsequently deposited in such boxes they are out of the jurisdiction of the service and identification of the addressees can not be had. Such, however, is not the case where delivery is made by an officer of the Department from an authorized place for the delivery of mail. Postmasters in the larger cities do not, under the regulations, rent boxes in their offices to persons known to be conducting fraudulent business through the mails. In fact, the regulations enjoin upon postmasters to exercise extreme care in renting boxes and require the applicant to certify over his signature that "the box shall not be used for the promotion of any fraudulent purpose or in pursuance of any illegal business." They also require him to furnish his address, business in which he is engaged, if any, and to give reference. In no case has it been found that the rule is oppressive or obnoxious to any person who does not desire to use the box for an improper purpose; nor would the abolishment of the private-letter-box system (where the boxes are maintained as a business venture in competition with those authorized by law and from which the postal revenues to a great extent are derived) interfere with the free and unlimited use of the mails for any proper purpose.

BOYCOTTING POST-OFFICES.

Because of political differences, selfish motives, petty jealousies, etc., the compensation of postmasters is, in many instances, seriously reduced, and the organized plan of the postal service is interfered with. At Presidential post-offices this is accomplished by the purchasing of stamps elsewhere; and at fourth-class post-offices by the collecting and mailing of letters on the cars or at other post-offices, thereby depriving the postmasters at such offices of the cancellation of stamps. This is carried to a grievous extent in some communities and is such an interference with the usual and regular disposition of the mails as, in my opinion, calls for legislation by Congress. Several bills have been introduced in Congress calculated to correct this injustice and to secure to postmasters the business properly belonging to their offices, but I regret to say that none of them was passed.

EXPLOSIVES AND OTHER HARMFUL MATTER IN THE MAILS.

I recommend that the attention of Congress be called to the frequent mailing of explosives and other harmful matter. The Department has authority to withdraw such matter from the mails when

found, but as it is generally sent sealed, the contents are unknown until revealed by a fire or after delivery to the addressee. I suggest that inflammable matter be absolutely forbidden carriage in the mails and a severe penalty be provided for depositing it to be so transported, and that a penalty be provided for mailing disease germs except under such regulations as the Postmaster-General shall prescribe.

COUNTERFEIT POSTMARKING STAMPS.

Counterfeit postmarking stamps have been used on advertising matter circulated outside the mails, and such use has resulted in many complaints to the Department of the missending and delay of such matter, some of which complaints have been investigated. The act of Congress approved August 23, 1894, authorizes and directs postmasters at offices of the fourth class to execute pension vouchers and to place thereon an impression of the postmarking stamp as evidence, in the same manner as the "seal" is used by an officer having a seal. I recommend that Congress be requested to provide a penalty for the counterfeiting of the postmarking stamp or for the use of a postmarking stamp for any unlawful or improper purpose.

ROBERT J. WYNNE,
First Assistant Postmaster-General.

HON. HENRY C. PAYNE,
Postmaster-General.

REPORT OF THE SECOND ASSISTANT POSTMASTER-GENERAL.

POST-OFFICE DEPARTMENT,
OFFICE SECOND ASSISTANT POSTMASTER-GENERAL,
Washington, D. C., October 30, 1903.

SIR: I have the honor to submit the following report of the Office of the Second Assistant Postmaster-General for the fiscal year ended June 30, 1903:

GENERAL STATEMENT OF MAIL SERVICE.

The mail service in operation June 30, 1903, was as follows:

Service.	Number.	Aggregate length.	Annual rate of expenditure.
		Miles.	
Star routes	20,613	249,364.68	$6,614,999.95 7/12
Special-office routes	1,441	13,480.88	37,238.79
Steamboat routes	214	39,904.65	679,724.92
Railroad routes	2,935	192,852.93	36,667,324.80
Railway post-office car routes	272	59,499.62	5,279,323.79
Railway Mail Service (officers and clerks)	10,555		11,250,042.12
Mail-messenger routes	7,600	5,113.29	1,111,145.51
Wagon routes (in cities)	263	1,252.16	859,247.18
Electric and cable car routes	379	4,283.33	461,216.40
Pneumatic-tube routes	3	12.49	201,095.14
Necessary and special facilities on trunk lines			167,175.00
Mail equipments			324,813.28
Miscellaneous items			995.46
Total inland mail service			63,594,542.34 5/12
Foreign mails:			
Aggregate cost		$2,615,782.76	
Less intermediary service to foreign countries		232,193.96	
			2,383,588.80
Total			65,978,131.14 5/12

Summary of all classes of domestic mail in operation June 30, 1903.

Number of routes	33,448
Length of routes ..... miles	506,268.46
Number of miles traveled per annum	493,193,359.28
Annual rate of expenditure	$63,594,542.34 7/12
Rate of cost per mile traveled ..... cents	12.89
Rate of cost per mile of length	$125.61
Average number of trips per week	9.36

Comparison with the report of June 30, 1902, shows:

		Per cent.
Decrease in number of routes	1,263	or 3.63
Decrease in length of routes ..... miles	1,272.07½	or .25
Increase in miles traveled per annum	18,958,671.35	or 4
Increase in annual rate of expenditure	$4,312,664.81½	or 7.27
Increase in rate of cost per mile traveled ..... cents	0.39	or 3.12
Increase in rate of cost per mile of length	$8.81	or 7.54
Increase in average number of trips per week	.38	or 4.23

Number of contracts drawn in duplicate during the year	5,831
Proposals received during the year under general advertisement	4,174
Proposals received during the year under bulletin advertisements	7,746

MAIL SERVICE IN DETAIL.

The mail service in operation on June 30, 1903, for the several classes was as follows:

STAR SERVICE.

Number of routes	20,613
Length of routes ..... miles	249,364.68
Number of miles traveled per annum	127,240,152.72
Annual rate of expenditure	$6,614,999.95 7/12
Rate of cost per mile traveled ..... cents	5.20
Rate of cost per mile of length	$26.52
Average number of trips per week	4.90

Comparison with the report of June 30, 1902, shows:

		Per cent.
Decrease in number of routes	1,154	or 5.30
Decrease in length of routes ..... miles	10,175.24½	or 3.92
Decrease in annual travel ..... do	2,847,071.92	or 2.18
Increase in annual rate of expenditure	$968,226.36⅓	or 17.14
Increase in rate of cost per mile traveled ..... cent	.86	or 19.81
Increase in rate of cost per mile of length	$4.77	or 21.93
Increase in average number of trips per week	.09	or 1.87

The appropriation for the last fiscal year was $6,715,000. The sum reported by the Auditor as expended, so far as shown by accounts stated to September 30, 1903, was $6,561,819.35, leaving an unexpended balance of $153,180.65. From this amount must be deducted all accounts chargeable to this appropriation which had not been stated by the Auditor up to September 30, 1903.

The appropriation for the current fiscal year is $6,960,000.

The annual rate of expenditure for all star service was:

July 1, 1903	$7,161,196.98⅓
September 30, 1903	7,063,333.49⅔

The amount estimated as necessary for the fiscal ending June 30, 1905, is $8,100,000, being $1,140,000, or 16.37 per cent more than the appropriation for the current fiscal year, and 13.28 per cent more than the estimated expenditure for the current year.

Annual letting of contracts.—The contracts for the star routes in the third contract section, embracing the following States, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri, expired June 30, 1903, and new contracts were made last year for all of the star service in those States for the four-year term from July 1, 1903, to June 30, 1907. These new contracts covered 3,340 routes, aggregating 32,724.89 miles in length and 19,343,981.28 miles of annual travel, at an annual rate of expenditure of $1,276,277.07, an increase over the annual rate on June 30, 1903, of $556,988.14¾. The average rate per mile traveled on June 30, 1903, under the old contracts was 3.77 cents. On July 1, 1903, the average rate under the new contracts was 6.59 cents per mile traveled, an increase of 2.82 cents per mile, or 74.80 per cent.

The new contracts contemplate additional and better service. They require not only the transportation of mail in pouches between post-offices as formerly, but also the delivery of mail into boxes or of private mail bags to mail cranes along the routes for all persons residing upon or near the routes who choose to erect boxes or cranes and request that their mail be so delivered, and also the carrying of the private mail bag from the crane to the post-office. The old contracts did not obligate the carrier to thus deliver and collect mail. It was optional with him. He could perform the service for one and not for another. If he did perform it, he could make such charge for this service as he saw fit, which charge whether reasonable or not had to be paid by the person so receiving his mail. But now under the new contracts the privilege of having the additional postal facility is extended to all, and the cost is included in the contract price.

The higher rate paid under these new contracts may be further accounted for by the fact that the old contracts which expired with the 30th of June last were awarded about four and a half years prior to that date, since which time conditions have radically changed. Prices have advanced for labor, stock, feed, and other equipment, and higher rates prevail in all lines of industry, so that the sum for which a route could be let then could not secure the same service to-day, to say nothing of the improved service.

Again, within the past four and a half years the rural free-delivery service has been largely extended, for which Congress has fixed a salary of $600 per annum to the carrier, and bidders for star service in support of the reasonableness of their bids frequently make comparison with the higher rates paid the rural carriers in the same vicinity. This tends to increase the rate paid for star service.

However, notwithstanding the changed conditions at the average rate paid under the new contracts in the section referred to, 6.59 cents per mile traveled, a contractor traveling 22 miles each week day would receive about $1.45 per day, or $453.79 per annum.

These contracts were let to those persons only who agreed to live within the delivery of some post-office on the route to be operated, and to give their personal supervision to the performance of the service. Thus all the money paid by the Department goes to the local contractor, and the people secure a higher grade of service than was possible under the practice which prevailed some three years ago, when nonresident speculators were permitted to become contractors and to sublet their routes to persons of their own selection, the specu-

lator having in view the largest possible profit to himself rather than the best obtainable service for the public.

Advertisement for proposals.—The general advertisement issued September 15, 1903, and now pending invites proposals for carrying the mails during a term of four years, from July 1, 1904, to June 30, 1908, on all the star and steamboat service in the second contract section, embracing the States of North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky, and the island of Porto Rico. The star service included in this advertisement calls for 5,577 routes, aggregating 58,851.22 miles in length and 30,928,593.28 miles of annual travel, being 750,327.76 miles, or 2.48 per cent more in annual travel than were in operation on July 1, 1903.

The annual rate of expenditure on September 30, 1903, for star service in this section was $1,040,479.53.

Box delivery on star routes.—For the purpose of issuing advertisements and making contracts for transporting mails on star routes the United States is divided into four contract sections, and new contracts for a term of four years are made in some one of the sections each year. During the past three years, as the contracts were about to expire, there have been incorporated into the new advertisements and contracts provisions whereby all persons living on or near the routes could have their mail delivered by the carriers into boxes erected along the lines of the routes. This system of box delivery wherever practicable was applied July 1, 1901, to all of the first contract section, including the thirteen States from Maine to West Virginia, which at the close of the last fiscal year had 5,365 routes; on July 1, 1902, to the fourth contract section, which includes all but three of the States and Territories west of the Mississippi River, having 6,159 routes, and on July 1, 1903, to the third contract section, covering the eight States in the Middle West north of the Ohio or bordering the Mississippi River, having 3,340 routes. South Carolina was the State to which as a whole this service was first given (from July 1, 1900), and the advertisement now pending will extend the box-delivery service from July 1, 1904, to the remaining seven of the Southern States and Porto Rico, which compose the second contract section, containing 5,577 routes. The feature of delivering mail into boxes along the lines of routes will then have been extended to the entire system of star service on more than 20,000 routes, aggregating over 249,000 miles in length. At the close of the last fiscal year the box delivery had been in effect in the first section (the far East) for two full years, and in the fourth section (the far West) for one year, and in June last inquiries were sent to each of the 11,524 routes in those two sections to ascertain the extent to which the people were availing themselves of this facility. The replies received from 10,545 routes show that 73,960 boxes or cranes have been erected along these routes and that 103,743 families are having their mail delivered to them by the carriers by the means of these boxes or bags attached to cranes. The reports indicate that this service is generally satisfactory to the people who are served by it.

The following is a summary of these reports by States:

State.	Routes in State June 30, 1903.	Replies received.	Boxes or cranes along route.	Families supplied by boxes or cranes.
First contract section.				
Maine	403	368	3,334	4,213
New Hampshire	158	144	1,198	1,563
Vermont	186	169	1,642	1,992
Massachusetts	165	152	999	1,321
Rhode Island	28	24	100	177
Connecticut	95	86	538	782
New York	894	764	8,344	10,025
New Jersey	179	163	773	861
Pennsylvania	1,191	1,040	8,458	11,337
Delaware	26	26	108	144
Maryland	252	235	1,045	1,485
Virginia	1,152	926	4,975	7,600
West Virginia	636	484	3,918	5,522
Total	5,365	4,581	35,432	47,022
Fourth contract section.				
Arkansas	752	729	3,791	5,540
Louisiana	437	437	1,183	2,164
Texas	1,243	1,196	7,905	12,591
Indian Territory	225	216	468	674
Oklahoma	307	295	3,403	4,616
Kansas	272	266	3,117	3,648
Nebraska	247	238	2,060	2,657
South Dakota	207	203	1,246	1,640
North Dakota	235	231	1,029	1,598
Montana	185	177	1,075	1,652
Wyoming	127	119	691	928
Colorado	243	238	1,266	2,087
New Mexico	161	157	333	686
Arizona	89	83	271	426
Utah	114	110	366	476
Idaho	192	185	989	1,449
Washington	238	231	1,905	2,839
Oregon	312	302	3,692	4,858
Nevada	94	93	373	566
California	479	458	3,365	5,626
Total	6,159	5,964	38,528	56,721
Grand total	11,524	10,545	73,960	103,743

The box-delivery service in the third contract section (the middle West) having gone into effect only on the 1st of July of this year, no data has as yet been collected as to the number of boxes in use or the number of families served.

Collection from boxes on star routes.—All carriers on star routes have been required by statute in force for many years past to receive any mail matter presented to them, if properly prepaid by stamps, and deliver the same for mailing at the next office at which they arrive, without additional pay. When box delivery was inaugurated, it was not thought advisable to include at first the collection of mail from the boxes along the routes. Subsequently a partial collection of mail was secured by requiring the carrier to take any private bags that might be suspended from cranes or posts along his route and deposit them at the next office at which he arrived. It was not until last year, however, that the bulletin advertisements were changed so as to require a complete collection of mail from all boxes along the routes under contracts effective on or after July 1, 1903. The first general advertisement in which this complete box-collection service was incorporated was that issued September 15, 1903, and now pending, for the second contract section covering the Southern States above named, the contracts for which will go into effect July 1, 1904.

The conditions governing the depositing and collecting of mail as inserted in the general advertisement are as follows:

MAIL CARRIERS TO DEPOSIT AND COLLECT MAIL ALONG THE ROUTES.

In addition to carrying the mails to the various post-offices on the star routes covered by this advertisement, the carrier on each route (except where otherwise specifically stated) will be also required to deliver mail into all boxes and hang small bags or satchels containing mail on cranes or posts that may be erected along the route, and to collect mail from boxes, and to collect the bags or satchels from the cranes or posts, under the following conditions.

Any person living on or near any star route herein described, and not within the corporate limits of any town or within 80 rods of any post-office, who desires his mail deposited at a given point on the line of the route by the carrier on said route may provide and erect a suitable box or crane on the roadside, located in such manner as to be reached as conveniently as practicable by the carrier without dismounting from the vehicle or horse, and such person shall file with the postmaster at the post-office to which his mail is addressed (which shall be one of the two post-offices on the route on either side of and next to the box or crane) a request in writing for the delivery of his mail to the carrier on the route for deposit at the designated point, at the risk of the addressee. The small bag or satchel above mentioned, as well as the box or crane, must be provided by the person for whose use it is intended, without expense to the Department.

It shall be the duty of the postmaster at every such post-office, upon a written order from any person living on or near the star route, to deliver to the proper mail carrier for that route any mail matter—placing in the respective satchels, where such are used, the mail for the persons to whom such satchels belong—with instructions as to the proper mail box or crane at which said mail matter shall be deposited; but registered mail shall not be so delivered unless expressly requested by the addressee in his written order. No mail matter so delivered to a carrier shall be carried past another post-office on the route before being deposited into a mail box or hung on a crane or post.

The carrier on the star route will be required to receive from any postmaster on the route any mail matter or private mail satchel that may be intrusted to him, outside of the usual mail bag, and shall carry such mail matter or private mail satchel to and deposit it into the proper mail box or hang it on the proper mail crane placed on the line of the route for this purpose; also to collect the mail from the boxes (when a signal is displayed to indicate that a box contains mail to be taken) and to deposit the same in the next post-office at which he arrives; and to take the mail satchel, where one is used, either with or without mail, from the mail crane or post and carry it to the next post-office; such service by the carrier to be without charge to the persons sending or receiving the mail.

The mail carriers must be reliable and trustworthy persons, of good character and of sufficient intelligence to properly handle and deposit the mail along the routes.

The Department does not prescribe any particular design of box or satchel to be used for this service, but the person providing either should see that it is of such character as to afford ample protection to his mail. The box or crane should be so located on the roadside that the carrier can deposit the mail without leaving his vehicle or horse, and yet not where it will obstruct public travel.

A patron desiring the collection of mail from his box should inform the carrier of the signal adopted by which the presence of mail in the box for collection will be indicated.

The law provides that every carrier of the mail shall receive any mail matter presented to him, if properly prepaid by stamps, and deliver the same for mailing at the next post-office at which he arrives, but that no fees shall be allowed him therefor.

Delivery and collection of mail by star-route carriers will not be permitted over such portions of star routes as may have in operation the rural free-delivery service, except as an additional or supplemental service when shown to be necessary and practicable.

The depositing and collecting of mail along the line of the route will not be required of carriers on steamboat routes unless herein otherwise stated.

Star service discontinued.—The star service discontinued during the year ended June 30, 1903, by reason of the establishment of rural free-delivery service amounted to $393,195.94. In some cases this office

subsequently found it necessary to reestablish the star service, but the cost of service as reestablished has not been deducted from the amount above named.

Alaska.—Among the extensions of new lines of service in Alaska arranged for last year may be mentioned the following:

From Homer to Kenai, 150 miles, one round trip a month, from November 1 to March 31 of each year; from Fort Yukon, by Coldfoot, to Bettles, 250 miles, one round trip each month, except May and October of each year; from Teller to Igloo, 65 miles, once a week by steamboat in the summer and twice a month overland during the winter; from Circle to Mastodon, 60 miles, once a week from June 1 to September 30 and twice a month the remainder of each year; from Nome, by Solomon, Council, Candle, Keewalik, and Deering, to Kotzebue, about 300 miles overland by dog sleds, ten round trips during last winter, from December 1 to April 30.

For the summer season just closed steamboat service was authorized on the Tanana River between Tanana and Fairbanks, 275 miles, the supply point for the newly discovered gold diggings, as often as the steamers of two transportation lines might run, not exceeding fourteen round trips during the season; and also steamer service from Teller, by Wales and Deering, to Kotzebue, 355 miles, seven round trips during the season of navigation.

In addition to the above, a contract has been authorized for a route from Barrow (Point Barrow), by Hope (Point Hope), to Kotzebue, about 650 miles, two round trips during each winter season, beginning with November 1, 1903, which service is expected to be performed by reindeer. Also a contract for service from Valdez, on the southern coast, by mouth of Chistochena River, Chisna, mouth of Delta River, Fairbanks and Chena, to Tanana, about 620 miles, two round trips a month from December 1 to April 30 of next winter, running time each way not to exceed twenty-five days, mails to be carried by dog teams in connection at Valdez with steamers to and from Seattle. A portion of this route extends through a section of country which has not heretofore enjoyed mail facilities. An agent of this office made a personal inspection of the country through which the route will pass, prior to its authorization, and his report indicated that the route is a feasible one, and that it will materially shorten the time between the coast and interior Alaskan points.

The following is a summary of the service in Alaska under arrangements made to October 15, 1903:

Service.	No. of routes.	Length.	Annual travel.	Annual pay.
		Miles.	*Miles.*	
Star	31	5,483.50	193,125.52	$197,516.29
Steamboat	17	13,368.00	713,622.00	122,463.86
Railroad	1	19.79	14,407.12	2,216.67
Mail messenger	2	4.80	2,995.20	725.00
Total	41	18,876.09	924,149.84	322,921.82

Porto Rico.—The contracts for star and steamboat service in Porto Rico will expire June 30, 1904, and the service is included in the general advertisement now pending for the second contract section looking to a reletting from July 1, 1904.

The following is a summary of mail service in operation in Porto Rico June 30, 1903:

Service.	No. of routes.	Length.	Annual travel.	Annual pay.
		Miles.	*Miles.*	
Star	32	545.73	379,920.32	$30,896.07
Steamboat	2	2,814.00	90,048.00	43,400.00
Railroad	3	113.66	70,923.84	4,858.96
Mail-messenger	10	6.82	11,427.52	1,048.00
Special-office	2	18.50	1,554.00	
Total	49	3,498.71	553,873.68	80,203.03

Hawaii.—This office has an assistant superintendent of Railway Mail Service in Hawaii to supervise the details connected with mail transportation. The following items are taken from his report of the service covering the year ended June 30, 1903:

There were 1,878 arrivals and departures of mail steamers at Honolulu, divided as follows: Between Honolulu and other Hawaiian ports, 1,482; between Honolulu, Laysan, Midway, and Guam, 6; between Honolulu and San Francisco, 188; between San Francisco, Honolulu, and Hilo, 18; between San Francisco, Honolulu, and Manila, by United States Army transports, 14; and between Honolulu and Hongkong, Sydney and Vancouver, 170.

The closed mails conveyed by local steamboat routes, star routes, and railroad routes within the Territory of Hawaii aggregated 45,632 pouches and 5,113 sacks of mail matter. Of these the Honolulu post-office dispatched and received 25,473 pouches and 5,113 sacks, and the local exchanges between other post-offices amounted to 20,159 pouches.

Over the star routes in transit there were carried 9,003 pouches and 2,761 sacks, and over railroad routes 2,706 pouches and 578 sacks.

The closed mails carried by ocean steamers between San Francisco and Hawaii aggregated 3,859 pouches and 16,677 sacks; and between Honolulu and foreign ports 2,230 bags of letters and 897 bags of prints.

The local steamboat routes cover all navigable waters within and around the several islands comprising the Hawaiian group. Every landing on the islands is touched by some mail steamer. Every steamer plying between Hawaiian ports carries the mails. The star route and mail messenger service on the islands is so arranged as to connect mail steamers at any time whether the steamers are running on a regular schedule or at irregular intervals. In either case at the first port at which a steamer lands on any island telephone communication is had with all post-offices on that island advising as to mails carried by the steamer and at what points they will be landed. With this information the carriers meet the steamers at any designated landing and take the mails to destination without delay.

All post-offices in the islands make reports at regular intervals concerning the mail transportation service to the agent in charge, and the service as now operated appears to give general satisfaction to the public.

The following is a summary of mail service in Hawaii in operation June 30, 1903:

Service.	Number of routes.	Length.	Annual travel.	Annual pay.
		Miles.	*Miles.*	
Star	27	561.37	160,483.44	$19,608.00
Steamboat	13	13,981.00	444,642.00	69,000.00
Railroad	4	108.05	105,184.68	3,550.38
Mail-messenger	47	119.72	32,386.64	4,076.00
Total	91	14,770.14	742,696.76	96,234.38

SPECIAL-OFFICE SERVICE.

The amount expended for this class of service during the year ended June 30, 1903, was $37,238.79; during the year ended June 30, 1902, $38,847.73.

The number of special offices on June 30, 1903, was 1,441 with an aggregate length of 13,485.83 miles, and an annual travel (estimated on the basis of 2.21 average trips per week) of 3,107,112.04 miles.

Comparison with the previous year shows—

	Per cent.
Decrease in number of routes	347 or 19.40
Decrease in length of routes ..... miles	3,063.31 or 18.51
Decrease in annual travel ..... do	635,028.52 or 16.96
Decrease in annual expenditure	$1,608.94 or 4.14
Increase in rate of cost per mile traveled ..... cent	0.15 or 14.42
Increase in rate of cost per mile of length	$0.41 or 17.44
Increase in average number of trips per week	.04 or 1.84

The compensation of this class of service is limited by law (Rev. Stat., sec. 3971) to an amount not exceeding two-thirds of the salaries paid to the postmasters at the several offices supplied, the postmasters being authorized to secure such frequency of service as may be practicable for that sum.

The expenditures for this service are chargeable to and included in the estimate for star service.

Special-office service is regarded as but a temporary arrangement for the supply of newly established post-offices that are not on or near the lines of existing routes, and as soon as the new office shows a number of people to be supplied, or an amount of mail to be carried that will justify such action, regular contract service is provided for its supply.

STEAMBOAT SERVICE.

Number of routes	214
Length of routes ..... miles	39,904.65
Annual travel ..... do	5,532,479.46
Annual rate of expenditure	$679,724.92
Rate of cost per mile of length	$17.03
Rate of cost per mile traveled ..... cents	12.28
Average number of trips per week	1.33

Comparison with the previous year shows—

	Per cent.
Increase in number of routes	4 or 1.90
Increase in length of routes ..... miles	5,565.80 or 16.20
Increase in annual travel ..... do	116,081.74 or 2.14
Increase in annual rate of expenditure	$81,473.87 or 13.61
Increase in rate of cost per mile traveled ..... cents	1.24 or 11.23
Decrease in rate of cost per mile of length	$0.39 or 2.23
Decrease in average number of trips per week	.18 or 11.92

The appropriation for the last fiscal year was $641,000, which, with the sum of $35,000, appropriated by the deficiency act of March 3, 1903, made a total of $676,000 available for the year.

The sum expended, as reported by the auditor, on accounts stated to September 30, 1903, was $634,957.08, leaving an unexpended balance of $41,042.92, out of which must be paid the accounts not adjusted on that date.

The annual rate of expenditure on July 1, 1903, under contracts made during the past fiscal year for the performance of steamboat service from July 1, 1903, to June 30, 1907, in the third contract section, was $17,089.17, an increase in the annual rate of expenditure on June 30, 1903, of $5,122.19, or 42.83 per cent. The rate of cost per mile traveled in that section on June 30, 1903, was 5.97 cents; on July 1, 1903, 6.30 cents, an increase of 5.52 per cent.

The general advertisement of September 15, 1903, now pending, includes the steamboat service covered by the second contract section. This service embraced on July 1, 1903, 46 routes, with an aggregate length of 5,195.60 miles and an annual travel of 1,189,214.64 miles at an annual rate of expenditure of $205,942.90, or 17.31 cents per mile. The advertisement calls for an increase of 3 routes and of 92,254.64 miles of annual travel, an increase of 7.75 per cent.

The appropriation for the current fiscal year is $693,000. The annual rate of expenditure was—

July 1, 1903	$702,791.45
September 30, 1903	704,954.26

The amount estimated as necessary for the fiscal year ending June 30, 1905, is $798,000, being $105,000, or 15.15 per cent, more than the appropriation for the current fiscal year.

MAIL-MESSENGER SERVICE.

Number of routes		7,600
Length of routes	miles	5,113.29
Annual travel	do	10,629,373.02
Annual rate of expenditure		$1,111,145.51
Rate of cost per mile of length		$217.30
Rate of cost per mile traveled	cents	10.45
Average number of trips per week		19.99

Comparison with the previous year shows:

		Per cent.
Increase in number of routes		58 or 0.77
Decrease in length of routes	miles	144.95 or 2.75
Increase in annual travel	do	133,750.62 or 1.27
Increase in annual rate of expenditure		$55,171.45 or 5.22
Increase in rate of cost per mile of length		$16.48 or 8.20
Increase in rate of cost per mile traveled	cent	.39 or 3.87
Increase in average number of trips per week		80 or 4.17

The appropriation for the last fiscal year was $1,083,000, which, with the sum of $15,000 appropriated by the deficiency act of March 3, 1903, made a total of $1,098,000 available for the year. The sum expended, as per Auditor's report, was $1,091,259.98, leaving an unexpended balance of $6,740.02.

The appropriation for the current fiscal year is $1,160,000. The annual rate of expenditure was:

July 1, 1903	$1,106,425.12
September 30, 1903	1,127,885.71

The amount estimated as necessary for the fiscal year ending June 30, 1905, is $1,248,000, being $88,000, or 7.58 per cent, more than the appropriation for the current fiscal year.

PNEUMATIC-TUBE SERVICE.

The contracts now in force for transmitting mail by pneumatic tubes were executed pursuant to a provision contained in the appropriation act approved April 21, 1902, reading as follows:

For the transmission of mail by pneumatic tubes or other similar devices, * * *; and the Postmaster-General is hereby authorized to enter into contracts for a period not exceeding four years after public advertisement once a week for a period of six consecutive weeks in not less than five newspapers, one of which shall be published in each city where the service is to be performed; that the contracts for this service shall be subject to the provisions of the postal laws and regulations relating to the letting of mail contracts, except as herein otherwise provided, and that no advertisement shall issue until after a careful investigation shall have been made as to the needs and practicability of such service until a favorable report, in writing, shall have been submitted to the Postmaster-General by a commission of not less than three expert postal officials, to be named by him; nor shall such advertisement issue until in the judgment of the Postmaster-General the needs of the postal service are such as to justify the expenditure involved. Advertisements shall state in general terms only the requirements of the service and in form best calculated to invite competitive bidding.

That the Postmaster-General shall have the right to reject any and all bids; that no contract shall be awarded except to the lowest responsible bidder, tendering full and sufficient guaranties, to the satisfaction of the Postmaster-General, of his ability to perform satisfactory service, and such guaranties shall include an approval bond in double the amount of the bid.

That no contract shall be entered into in any city for the character of mail service herein provided which will create an aggregate annual rate of expenditure, including necessary power and labor to operate the tubes, and all other expenses of such service, in excess of four per centum of the gross postal revenue of said city for the last preceding fiscal year.

That no contract shall be made in any city providing for three miles or more of double lines of tube which shall involve an expenditure in excess of seventeen thousand dollars per mile per annum, and said compensation shall cover power, labor, and all operating expenses.

That the Postmaster-General shall not, prior to June thirtieth, nineteen hundred and four, enter into contracts under the provisions of this act involving an annual expenditure in the aggregate in excess of eight hundred thousand dollars; and thereafter only such contracts shall be made as may from time to time be provided for in the annual appropriation act for the postal service; and all provisions of law contrary to those herein contained are repealed.

Pursuant to this statute, advertisements were issued inviting proposals for pneumatic-tube service on various routes in the cities of Boston, Brooklyn, New York, Philadelphia, Washington, Chicago, and St. Louis. Bids were received and as a result contracts were executed as follows:

Boston, Mass., route No. 594003, a contract dated September 27, 1902, with the Boston Pneumatic Transit Company, for service by a system employing an 8-inch tube between general post-office and North Station, between general post-office and South Station, and between South Station and Essex Street Station, distance 2.07 miles, at the rate of $33,120 per annum, being $16,000 per mile of double lines of tubes, for the term beginning with the construction, acceptance, and operation of all or a part of the pneumatic tubes and ending June 30, 1906; and by a system employing a 10-inch tube between Essex Street Station and Back Bay Station, and between Essex Street Station and Station A (South End) and Roxbury Station, distance 3.39 miles,

at the rate of $32,868 per annum ($9,695.57 per mile) for double lines of tubes, for the term beginning with the construction, acceptance, and operation of all or a part of the tubes and ending June 30, 1904, and thereafter for service until June 30, 1906, provided Congress shall make a provision by law for the same at the rate of $16,000 per mile of double lines of tubes per annum.

On November 1, 1902, that part of the service between the general post-office and North Station, 0.87 of a mile, was inaugurated.

On March 1, 1903, that part between Essex Street Station and Back Bay Station, and between Essex Street Station, Station A (South End), and Roxbury Station, 3.39 miles, was started.

On September 1, 1903, the remainder of the route specified by the contract, viz, between the general post-office and South Station, 0.73 of a mile, and between South Station and Essex Street Station, 0.47 of a mile, was put into operation.

There was also an extension authorized under this contract for service by a double line of 10-inch tubes between Roxbury Station and Uphams Corner Station, 1.43 miles, at a cost of $13,864.67 per annum, and which went into effect July 15, 1903.

Thus the full service in Boston is now in operation, the length of route being 2.07 miles of double lines of 8-inch tubes and 4.82 miles of double lines of 10-inch tubes, a total of 6.89 miles, for which the annual compensation is $79,852.67.

The service in Boston as specified connects the general post-office with seven branch post-offices, two of which are located in the North Union and South Terminal stations, affording a direct connection with all trains at these railroad stations. This is the first city to have all of the service contracted for put into operation.

The hours of operation are from 3.30 a. m. to 11.30 p. m., covering all of the business day and the time at night when collections are made.

The establishment of the tube service has resulted in the rearrangement of the delivery districts of the general post-office, Back Bay, Roxbury, South Boston, and Dorchester stations; the reorganizing of the street-railway postal-car service; the changing of the special delivery service so as to make deliveries from the several stations connected by pneumatic-tube service, and the entire mail service in Boston has felt in a marked degree the benefit provided by the installation of pneumatic tubes for the transmission of the mails in that city.

New York, N. Y., route No. 507006, a contract dated September 27, 1902, with the New York Mail and Newspaper Transportation Company, for service by a system employing an 8-inch tube between general post-office and Station P; between general post-office and Station S, Station D, Madison Square station, Station F, and Station H; between general post-office and Brooklyn, N. Y., post-office; between general post-office, Station V, Station A, Station O, Station E, and Station H; between Station H, Station Y, Station K, Station U, Station L, and Station J; between Station H, Station G, Station N, Station W, Station I, and Station J; distance, 24.653 miles; at the rate of $414,145.74 per annum, being $16,799 per mile of double lines of tubes, for the term beginning not earlier than November 1, 1902, with the construction, acceptance, and operation of all or a part of the pneumatic tubes, and ending June 30, 1906.

From November 28, 1902, service was put into operation under this contract on that part of this route between the general post-office and

Station P, 0.775 of a mile; between the general post-office, Station D, Madison Square station, Station F, and Station H, 4.419 miles; and between the general post-office and Brooklyn post-office, 1.659 miles; a total of 6.853 miles, and payment therefor was authorized at the rate per mile provided by the contract, amounting to $115,125.54 per annum. This service had previously been operated under a temporary contract from October 1 to November 27, 1902.

The work of construction of the extensions of the tube lines in New York City has not commenced, but the company reports that it has entered into negotiations with the city officials and carried the same to a successful conclusion, and now holds a permit properly approved to construct the additional line of tubes over all the lines specified in the contract; that since obtaining such permit it has made extended investigation of the routes, secured estimates of the cost of construction, and made plans for financing the same.

While no extensions have been made in the length of the route, the company has concentrated its efforts toward increasing the efficiency of the service in operation and enlarging its capacity. It has, among other improvements, introduced a new form of receiver, which results in an increase of 25 per cent in the number of carriers that may be received, and has, after investigation and conference with officials of this office, perfected a carrier designed to prevent the soiling of mails by oil and water forced into carriers by the high pressure necessary to maintain a high rate of speed.

Philadelphia, Pa., route No. 510004, a contract dated September 27, 1902, with the Pneumatic Transit Company, for service by a system employing an 8-inch tube, between general post-office, Reading Terminal, Broad Street station, and Station A; between Station A, Station J, and Station C; between general post-office, Station S, and Station O; and between Station A and Station B; and by a system employing a 6-inch tube between general post-office and Bourse Station; distance 7.642 miles, at the rate of $129,914 per annum, being $17,000 per mile of double lines of tubes, for the term beginning with the construction, acceptance, and operation of the tubes and ending June 30, 1906.

From July 1, 1903, service under this contract was put into operation on that part of the route between the general post office, Reading Terminal, and Broad Street Station, 0.815 of a mile, and between the general post-office and Bourse Station, 0.567 of a mile, a total of 1.382 miles, for which the compensation is $23,494 per annum. (This part of the service was previously performed under a temporary contract from July 21, 1902, to June 30, 1903.)

No extension of the pneumatic-tube service has been made in Philadelphia during the year, but the company reports that it will soon begin work on the line between the general post-office and Stations O and S, and expects to have this line in operation by the new year and to have other routes completed as rapidly as possible, having prepared the plans and secured estimates as to the cost of construction.

Chicago, Ill., route No. 535010, a contract dated January 24, 1903, with the Chicago Postal Pneumatic Tube Company, for service by a system employing an 8-inch tube between general post-office (new site) Chicago, Rock Island and Pacific Railroad depot (Van Buren street), and Station U (Union depot); between general post-office (new site), temporary post-office, or a postal station in the vicinity of that office, South Water station, and Chicago and Northwestern Railroad depot,

or proposed postal station in the vicinity of that depot; between general post-office (new site), Illinois Central Railroad depot, Twenty-second street station, Armour station, and Stock-Yards station; distance 8.70 miles; at a compensation of $119,625 per annum, being $13,750 per mile of double lines of tubes; for the term of four years, beginning with the construction, acceptance, and operation of all or a part of the pneumatic tubes, provided such service begins on or before October 1, 1903, otherwise ending September 30, 1907.

No service has yet been put into operation on this route, but it is understood that the company has secured franchises and permits to open streets and to lay tubes, has begun the work of construction on the line between the general post-office and Stock-Yards station, and expects to have that part of the route (6.15 miles) in operation about February 1, 1904, and the remaining portion of the route constructed and in operation by July 1, 1904.

While the Department will be unable to occupy the new Government building before April 1, 1905, an arrangement has been made with the Treasury Department to permit of the location of a pneumatic tube station in the new building in advance of its completion and occupancy by the general post-office whenever the tube lines are ready for use.

St. Louis, Mo., route No. 545001, a contract dated September 27, 1902, with the St. Louis Pneumatic Tube Company, for service by a system employing an 8-inch tube between general post-office and terminal station (Union Railroad Depot), and between general post-office and Relay depot at East St. Louis; distance, 3.16 miles; at a maximum annual compensation of $48,267 (the proposal specifying $15,570 per mile per annum of double lines of tubes, but the maximum annual compensation named would be at the rate of $15,274.37 per mile) for a term of four years beginning with the construction, acceptance, and operation of all or a part of the tubes, provided such service begins on or before July 1, 1903, otherwise ending June 30, 1907.

No service has yet been put into operation on this route, but the company reports that it has secured franchise and permits to open streets and that it has made arrangements for the use of the Eads Bridge and the connecting tunnel, and that the construction of the line between the general post-office and the Union Station has commenced and is progressing satisfactorily. All of the street work for the lines under contract is expected to be completed by December 1, 1903.

The pneumatic tube service in operation on June 30, 1903, was as follows:

Number of routes		3
Length of routes	miles	12.49
Annual rate of expenditure		$201,095.14

The appropriation for the last fiscal year was $500,000, from which the Auditor reports an expenditure, under accounts stated to September 30, 1903, of $142,867.04.

The appropriation for the current fiscal year is $800,000, and the same amount is asked for the fiscal year ending June 30, 1905.

The effect of the act of April 21, 1902, which specified that the advertisements for this service should state the requirements in general terms in a way to invite competitive bidding, has been most satisfactory, and indeed has resulted in inventors and owners redoubling

their efforts to introduce the most improved and efficient machinery. Where only one system was in practical operation on the date of the act referred to there are to-day in operation three well-developed systems performing excellent service, and demonstrates the wisdom of Congress in devising the present methods, and it is the intention of this Office to encourage the development of the worthiest devices and the most improved plans.

It is evident that the limit of cost for this service in 8-inch lines 3 miles and more in length, fixed by Congress at not exceeding $17,000 per mile, was not too high in view of the difficulty experienced by contractors in inducing capitalists to invest money in construction of lines of considerable length which would seem to offer fair returns on the investment. The successful completion and operation of the full lines under contract in New York and Philadelphia will be necessary to enable the Department to effectuate the improvements that are possible only after the more distant points in large cities are connected by tube service.

REGULATION, SCREEN, OR OTHER WAGON SERVICE.

Number of routes		233
Length of routes	miles	1,252.16
Annual travel	do	4,606,606.69
Annual rate of expenditure		$859,247.18
Rate of cost per mile of length		$686.21
Rate of cost per mile of travel	cents	18.65
Average number of trips per week		35.37

Comparison with the previous year shows—

		Per cent.
Increase in the number of routes		30 or 12.87
Increase in length of routes	miles	35.62 or 2.92
Increase in annual travel	do	169,539.74 or 3.82
Increase in annual rate of expenditure		$70,924.51 or 8.99
Increase in rate of cost per mile of length		$38.21 or 5.89
Increase in rate of cost per mile traveled	cents	.89 or 5.01
Increase in average number of trips per week		.30 or .85

The appropriation for the last fiscal year was $875,000. The amount reported by the Auditor as expended under accounts stated to September 30, 1903, was $828,707.93, leaving an unexpended balance of $46,292.07.

The annual rate of expenditure on July 1, 1903, under contracts entered into during the past fiscal year for the performance of wagon service in the third contract section from July 1, 1903, to June 30, 1907, was $346,920, an increase of $126,474 over the annual expenditure on June 30, 1903. The rate of cost per mile traveled on June 30, 1902, was 14.36 cents; on July 1, 1903, 21.47 cents, an increase of 49.51 per cent.

The advertisement of September 15, 1903, calling for proposals for screen-wagon service in the second contract section embraces 31,756.94 miles of annual travel more than in operation on July 1, 1903, an increase of 13.34 per cent.

The appropriation for the current fiscal year is $990,000. The annual rate of expenditure was—

July 1, 1903	$985,721.18
September 30, 1903	1,092,567.18

A deficiency of approximately $100,000 is expected for the current fiscal year, owing to the recent failure of the contractor for the service in the city of New York and the reletting of the route. The Department holds the bond of the contractor and a surety company to indemnify it for the damage suffered by reason of the failure, but all sums recovered on such bonds are covered into the Treasury and are not available for payments for mail transportation.

The amount estimated as necessary for the fiscal year ending June 30, 1905, is $1,133,000, being $143,000, or 14.47 per cent, more than the appropriation for the current fiscal year and 4.42 per cent more than the estimated expenditure for said year.

RAILROAD TRANSPORTATION.

Number of routes		2,935
Length of routes	miles	192,852.03
Annual travel	do	333,491,684.43
Annual rate of expenditure		$36,607,524.80
Rate of cost per mile of length		$189.82
Rate of cost per mile traveled	cents	10.97
Average number of trips per week		16.63

Comparison with the previous year shows—

		Per cent.
Increase in number of routes		91 or 3.20
Increase in length of routes	miles	5,722.30 or 3.06
Increase in annual travel	do	20,970,205.93 or 6.71
Increase in annual rate of expenditure		$1,558,313.58 or 4.44
Increase in rate of cost per mile of length		$2.53 or 1.35
Decrease in rate of cost per mile traveled	cents	.24 or 2.14
Increase in average number of trips per week		.57 or 3.55

There was no unadjusted service on June 30, 1903.

The appropriation for the last fiscal year was $36,260,000, of which sum the Auditor reports as expended under accounts stated to September 30, 1903, $36,195,116.18, leaving a balance of $64,883.82.

Last year the mails were weighed on the railroad routes in the third contract section, embracing the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri, for the purpose of making the regular quadrennial readjustment of pay from July 1, 1903. The annual rate of expenditure for railroad transportation in these States on June 30, 1903, based on the weighing had four years before, was $13,289,815.56. The result of the readjustment of the pay for railroad transportation, effective July 1, 1903, in the same States for the ensuing four years, based on the reweighing (under orders issued to September 30, 1903), was an increase of $2,439,112.83, or 18.05 per cent.

The appropriation for the current fiscal year is $38,242,000. The annual rate of expenditure for railroad transportation was—

July 1, 1903	$38,917,990.01
September 30, 1903	38,938,816.88

A deficiency approximating $450,000 is anticipated in the expenditures for railroad transportation for the current year, owing to the fact that the increased expenditure in the third section resulting from the reweighing of the mails in that section to determine the payment for such service for the four-year term beginning July 1, 1903, which increase was estimated at 15 per cent, or $1,990,957.02, proved to be 18.05 per cent, or $2,439,112.83, being $448,155.81 in excess of the estimate.

The amount reported by the Auditor as withheld from Pacific railroads on account of railroad transportation is $629,275.04.

The amount estimated as necessary for the fiscal year ending June 30, 1905, is $39,698,000, being $1,456,000, or 3.80 per cent, more than the appropriation for the current fiscal year.

The following table will show the increase, by years, in the annual rate of expenditure for the transportation of the mail by railroad since the existing rates were fixed by Congress in 1878:

Annual increase in cost of railroad transportation from 1880 to 1903, inclusive.

Fiscal year June 30—	Annual rate of expenditure.	Increase.	Per cent.	Fiscal year June 30—	Annual rate of expenditure.	Increase.	Per cent.
1879	$8,463,197.00			1892	$24,196,329.71	$1,797,461.05	8.02
1880	9,237,945.00	$774,748.00	9.15	1893	25,716,605.85	1,520,276.14	6.28
1881	10,249,261.00	1,011,316.00	10.94	1894	27,153,091.16	1,436,485.31	5.58
1882	11,297,333.00	1,084,072.00	10.57	1895	27,961,931.78	808,840.62	2.97
1883	12,288,799.00	991,466.00	8.77	1896	28,941,880.47	979,948.69	3.50
1884	13,273,606.00	984,807.00	8	1897	30,171,542.69	1,229,662.22	4.24
1885	14,758,495.00	1,484,889.00	11.18	1898	30,786,375.89	614,833.20	2.03
1886	15,520,191.00	761,696.00	5.16	1899	31,942,150.88	1,155,774.99	3.75
1887	16,174,691.22	654,500.22	4.21	1900	33,424,982.15	1,482,831.27	4.64
1888	17,528,599.80	1,353,908.58	8.37	1901	33,881,390.24	456,408.09	1.36
1889	19,441,095.78	1,912,495.98	10.91	1902	35,049,211.22	1,167,820.98	3.44
1890	20,869,231.55	1,428,135.77	7.34	1903	36,607,524.80	1,558,313.58	4.44
1891	22,398,868.66	1,529,637.11	7.32				

Annual increase in cost of railroad transportation and railroad post-office cars combined, 1880 to 1903, inclusive.

Fiscal year June 30—	Annual rate of expenditure.	Increase.	Per cent.	Fiscal year June 30—	Annual rate of expenditure.	Increase.	Per cent.
1879	$9,567,589.00			1892	$27,126,529.11	$1,942,815.29	7.71
1880	10,498,986.00	$931,397.00	9.73	1893	28,910,195.30	1,783,666.19	6.57
1881	11,613,368.00	1,114,382.00	10.61	1894	30,358,190.01	1,447,994.71	5
1882	12,753,184.00	1,139,816.00	9.81	1895	31,205,342.58	847,152.57	2.79
1883	13,887,800.00	1,134,616.00	8.89	1896	32,405,797.17	1,200,454.59	3.84
1884	15,012,603.00	1,124,803.00	8.09	1897	33,876,521.19	1,470,724.02	4.53
1885	16,627,983.00	1,615,380.00	10.76	1898	34,703,847.56	827,326.37	2.44
1886	17,336,512.00	708,529.00	4.26	1899	36,117,875.74	1,414,028.18	4.08
1887	18,056,271.72	719,759.72	4.15	1900	37,793,981.74	1,676,106.00	4.64
1888	19,524,959.15	1,468,687.43	8.13	1901	38,519,624.27	725,642.53	1.92
1889	21,639,613.33	2,114,654.18	10.83	1902	39,953,607.95	1,433,983.68	3.72
1890	23,395,231.66	1,755,618.33	8.11	1903	41,886,848.59	1,933,240.64	4.84
1891	25,183,713.82	1,788,482.16	7.64				

SPECIAL FACILITIES.

The annual rate of expenditure for "necessary and special facilities on trunk lines" on June 30, 1903, was $167,175, and this sum was applied as shown in the following table:

Route No.	Termini.	Railroad company.	Miles.	Pay per annum.
114002	Washington, D. C., to Danville Junction, Va. (n. o.).	Southern Rwy	238.22	$29,777.50
118013	Danville Junction to Charlotte, N. C.	do	142.00	17,750.00
118049	Charlotte to Atlanta, Ga	do	267.36	33,420.00
121003	Atlanta to Montgomery, Ala	Western Rwy. of Alabama	171.61	21,451.25
124012	Montgomery to New Orleans, La	Louisville and Nashville	318.21	39,776.25
155010	Kansas City, Mo., to Newton, Kans.	Atchison, Topeka and Santa Fe.	201.02	25,000.00
	Total			167,175.00

The appropriation for the current fiscal year is $167,728.75. No estimate is submitted for the next fiscal year.

ELECTRIC AND CABLE CAR SERVICE.

Number of routes		379
Length of routes	miles	4,283.33
Annual travel	do	8,585,950.92
Annual rate of expenditure		$461,216.40
Rate of cost per mile of length		$107.67
Rate of cost per mile traveled	cents	5.37
Average number of trips per week		19.27

Comparison with the previous year shows—

		Per cent.
Increase in number of routes		52 or 15.90
Increase in length of routes	miles	775.22 or 22.09
Increase in annual travel	do	1,051,193.76 or 13.95
Increase in annual rate of expenditure		$46,867.65 or 11.31
Decrease in rate of cost per mile of length		$10.44 or 8.83
Decrease in rate of cost per mile traveled	cents	0.13 or 2.36
Decrease in average number of trips per week		1.38 or 6.68

The appropriation for the last fiscal year was $450,000; the amount reported by the Auditor as expended $440,420.41, leaving an unexpended balance of $9,579.59.

The appropriation for the current fiscal year is $510,000.

The annual rate of expenditure was—

July 1, 1903	$472,949.71
September 30, 1903	481,069.92

The sum estimated as necessary for the fiscal year ending June 30, 1905, is $606,000, being $96,000, or 18.82 per cent, more than the appropriation for the current fiscal year.

RAILWAY POST-OFFICE CARS.

Number of routes		272
Length of routes	miles	50,499.62
Annual rate of expenditure		$5,279,323.79

Comparison with the previous year shows:

	Per cent.
Increase in number of routes	21 or 8.36
Increase in length of routes	2,542.50 or 5.30
Increase in annual rate of expenditure	$374,927.06 or 7.64

The appropriation for the last fiscal year was $5,104,960; the sum expended, as reported by the Auditor, $5,033,464.22.

The amount reported by the Auditor as withheld from Pacific railroads on account of railway post-office car service was $112,038.08.

The appropriation for the current fiscal year is $5,411,000.

The annual rate of expenditure was:

July 1, 1903	$5,287,898.40
September 30, 1903	5,316,996.85

The amount estimated as necessary for the fiscal year ending June 30, 1905, is $5,736,000, being $325,000, or 6 per cent, more than the appropriation for the current fiscal year.

RAILWAY MAIL SERVICE.

The report of the General Superintendent of Railway Mail Service to this office gives the details of the operations of that service. Among the matters of interest the following may be noted:

Extent of service and force employed.—At the close of last fiscal year there were 1,490 lines of traveling post-offices (railroad, steamboat,

and electric car), covering 189,298 miles in length; the number of employees in the service was 10,555; annual miles traveled by clerks in cars and boats, 235,114,604; adding to this the closed-pouch and express-pouch service, the grand total of miles traveled was 344,892,127.

Equipment.—The number of railway postal cars and apartments in use and in reserve was 4,039. In addition to these there were 20 cars on electric lines under the supervision of the Railway Mail Service and 87 apartments on steamboat lines.

Distribution.—It is estimated that there were handled by railway postal clerks during the year 8,654,147,680 pieces of first-class matter and 7,345,654,950 pieces of other classes, making a total of 15,999,802,630 pieces, exclusive of registered matter. Of registered mail it is estimated that the railway postal clerks handled 29,897,063 packages and cases through registered pouches and inner registered sacks. During the year there were 1,387,664 errors reported as made by clerks in the distribution of this mail, the ratio being but one error to 11,530 correctly distributed.

Illegible addresses.—Matter illegibly or improperly addressed, so that it required special attention, or which could not be delivered, amounted during the year to 23,604,619 pieces, an increase of 3,650,182 as compared with the previous year; 12,542,155 of these were returned to senders or corrected and forwarded to destination, the remainder being sent to the Dead Letter Office, or otherwise disposed of as provided by the regulations.

Case examinations.—These are the examinations which the clerks undergo from time to time as to their proficiency in their duties. During the year there were 27,856 examinations of permanent and probationary clerks, who handled 29,323,023 cards, with an average of 98.63 per cent correct. There were also 2,555 examinations of substitute clerks, who handled 2,257,085 cards, with an average of 97.05 per cent correct.

Casualties.—There 373 casualties to mail cars last year in which either clerks or mail or both were injured. The number killed were 18 clerks, 1 substitute, and 3 mail weighers; and there were 78 clerks seriously and 398 slightly injured.

Congress made provision in the last two appropriation bills for the payment of $1,000 to the legal representatives of every clerk killed in the line of duty. I indorse the recommendation of the General Superintendent that the provisions of this act should be extended to include substitute clerks as well as regular clerks. The suggestion is also made by the General Superintendent that the law should be so modified as to strike out the words "legal representatives" and insert the words "dependent relatives." This question was considered with some care when the law was framed. I am not prepared to recommend this change.

Second-class matter.—Last year 509,537,962 pounds of paid second-class matter was received from publishers, and 36,305,884 pounds of matter carried within the county of publication free of charge, making a total of 545,843,846 pounds or 272,921 tons. Good progress has been made in the work of inducing publishers to make such separations of their publications as will facilitate the handling and expedite the delivery of such matter. Interesting statistics on this subject have been collected by the General Superintendent.

Improvements.—The new and improved service in lines of full railway postal cars or apartment cars during the past fiscal year was applied to 28,357 miles. Additional car space has been provided on lines aggregating 10,421 miles. Train schedules have been quickened and new fast-train service has been inaugurated, resulting in expedition to the mails.

One very important improvement in the fast-mail system was inaugurated November 2, 1902, between New York and New Orleans. A schedule was arranged by which mail leaving New York at 2.15 a. m. reaches New Orleans at 11.30 a. m. next day. Previous to that date mails leaving New York in the early morning did not arrive in New Orleans until the following night, too late for delivery to the public. Not only has mail been quickened into New Orleans by this improvement in schedule, but corresponding advantages are derived from a close connection at New Orleans with Pacific coast trains. Communities served by connecting lines at intermediate points enjoy the benefits of these improvements as well as terminal cities.

Reorganization and reclassification.—Reference was made in my last annual report to the fact that in lieu of favorable action upon the full reorganization and reclassification bill, which had been introduced in recent years, Congress had made provision for additional classes and for increase of salaries in higher classes, which resulted in substantial benefit to the service and was highly appreciated both by the Department and by clerks interested. Clerks of classes 2 and 3 in full railway post-offices have, however, received no consideration in the way of proportionate increase of salary. Clerks performing service on apartment lines, on the other hand, have received a readjustment of their salaries. The work performed in full railway post-offices being more important and arduous, the service is likely to suffer from a desire on the part of some clerks to content themselves with the easier service on apartment lines rather than to have an ambition to seek position on full railway post-office lines where conditions as to salary, as well as service, would be improved. I therefore concur in the recommendation of the General Superintendent that the salaries of clerks of classes 2 and 3 in full railway post-offices, in crews where four or more clerks run over the whole length of the line, be increased from $900 per annum to $1,000 per annum and from $1,000 per annum to $1,100 per annum, respectively.

Substitute clerks.—The ranks of the Railway Mail Service are recruited from the civil-service substitutes, men who have passed the civil-service examination and have equipped themselves in every way so as to be able to take the place of regular clerks. These substitutes are a superior class of men, physically and mentally. They are duly selected and appointed as substitutes in the ratio of 1 for every 10 clerks regularly employed in the service. We have no provision of law whereby we can pay these men a fixed salary while on the substitute list waiting for regular appointment. At times they become discouraged; especially is this true in recent years, as many of these clerks have been tempted to seek employment elsewhere to the injury of the service. They now receive not exceeding $2.20 a day for days they are actually at work, which is paid them out of the salary of the clerk whose place they fill temporarily. Notwithstanding the uncertainty of being called upon for service, they must hold themselves subject to

the call of the Department. In view of the fact that there is always a necessity for additional or extra work and in order that a more permanent list of substitutes may be provided, I urge that substitute clerks be guaranteed a monthly salary not less than $25, with the understanding that they will be subject to call of the Department for at least eleven days' labor, whether as substitutes or otherwise.

Car construction.—The large number of accidents which have occurred to trains carrying railway post-office cars in the last fiscal year naturally invites attention to the hazardous service in which postal clerks are engaged. The question has been raised as to whether the plans and specifications under which postal cars are now being built are such as to secure the strongest possible construction and afford the necessary protection to life and limb of our postal clerks. The position of the postal car in the train and the fact that our clerks are constantly engaged with least opportunity to protect themselves in the event of a collision has justified this Office in demanding of railway companies the strongest construction as well as the most convenient arrangement that it was possible to give to these cars. The plans and specifications authorized by the Department some years ago were believed to be the best that could be devised at the time they were promulgated. In order that a more thorough investigation as to the latest and best construction, approved by master car builders and others, might be made, I directed the General Superintendent Railway Mail Service to secure, through the several division superintendents, the latest information and suggestions obtainable, with a view to still further improvements in the line of construction. The question as to whether all-steel cars would be preferable to cars constructed of wood and steel is being considered. Thus far the consensus of opinion is in favor of the combination wood and steel as against the all-steel construction. I refer to this subject only to show that this Office is giving the matter the most careful consideration possible.

Railway Mail Service relief and superannuation measure.—Attention is invited to the fact that Congress is urged to provide some plan whereby clerks of the Railway Mail Service permanently disabled in line of duty or worn out through long and faithful service may retire on an annuity. While the question of some general legislation looking to the relief of all superannuated clerks in Government employ is under investigation it may be well to call attention to the views of the General Superintendent Railway Mail Service, who urges that the Railway Mail Service being extra hazardous and its work peculiarly exacting, special provision might be made for its employees, which need not be considered a precedent for civil service employees as a whole. It would seem that aside from the Army and Navy the Life-Saving Service is the only other Government service that approaches the Railway Mail Service in danger to life and limb and in taxing mental and physical endurance. If, therefore, some feasible plan can be devised for deducting a small percentage from the salary of every employee of this Service, thereby creating a fund for the retirement of superannuated and incapacitated clerks, I incline to think it would result in great benefit to the Service.

Expenditures and estimates.—The expenditure on account of officers, clerks, and other items of the Railway Mail Service during the fiscal year ended June 30, 1903, as reported by the Auditor under accounts stated to September 30, 1903, was $11,228,845.75; the appropriation,

including the sum of $40,000 appropriated by the urgent deficiency act of December 22, 1902, was $11,322,540. This does not include railroad transportation or railway post-office cars.

The number of officials and clerks was 10,555.

Comparison with the previous year shows an increase of 824, or 8.46 per cent, in the number of officials and clerks, and of $985,453.74, or 9.60 per cent, in the annual rate of expenditure.

The appropriation for the current fiscal year is $12,149,301.

The sum estimated as necessary for the fiscal year ending June 30, 1905, is $13,760,000, being $1,610,699, or 13.25 per cent, more than the appropriation for the current fiscal year.

This estimate includes amounts as follows:

One general superintendent, at $4,000; 1 assistant general superintendent, at $3,500; 1 chief clerk, office of general superintendent, at $2,000; 1 assistant chief clerk, office of general superintendent, at $1,800; 11 division superintendents, at $3,000 each; 11 assistant division superintendents, at $1,800 each; 5 assistant superintendents, at $1,800 each; 20 assistant superintendents, at $1,600 each; 125 chief clerks, at $1,600 each; 271 clerks class six, at not exceeding $1,500 each; 1,280 clerks class five, at not exceeding $1,400 each; 542 clerks class five, at not exceeding $1,300 each; 1,779 clerks class four, at not exceeding $1,200 each; 910 clerks class four, at not exceeding $1,100 each; 4,391 clerks class three, at not exceeding $1,000 each; 2,737 clerks class two, at not exceeding $900 each; 830 clerks class one, at not exceeding $800 each; in all, $13,506,000; and the appointment and assignment of clerks hereunder shall be so made during the fiscal year as not to involve a greater aggregate expenditure than this sum.

For substitutes for clerks on vacation, $50,000: *Provided*, That the Postmaster-General may allow railway postal clerks, whose duties require them to work six days or more per week, fifty-two weeks per year, an annual vacation of fifteen days with pay.

For acting clerks, in place of clerks injured while on duty, and to enable the Postmaster-General to pay the sum of $1,000 to the legal representatives of any railway postal clerk who shall be killed while on duty or who, being injured while on duty, shall die within one year thereafter as the result of such injury, $100,000.

For actual and necessary expenses of general superintendent, assistant general superintendent, chief clerk office of general superintendent, assistant chief clerk office of general superintendent, division superintendents, assistant division superintendents, chief clerks, and railway postal clerks while actually traveling on business of the Department and away from their several designated headquarters, $24,000.

For rent, light, fuel, telegraph, and miscellaneous office expenses, schedules of mail trains, telephone service, typewriting machines, and badges for railway postal clerks, $52,000.

For per diem allowance of assistant superintendents at the rate of $4 per day while actually traveling on business of the Department and away from their several designated headquarters, and for their necessary official expenses not covered by per diem allowance, $28,000.

Making in all, for Railway Mail Service, $13,760,000.

Inadequate force.—The estimates submitted to Congress in my last annual report for increase in force of railway postal clerks have proven inadequate to handle the unprecedented increase of postal business.

The recent weighing in the Middle West demonstrated the fact that the increase during the past four years in volume of mail handled was 18.05 per cent, as against our previous estimate of 15 per cent. This explains the fact that our clerical force has proved inadequate to properly handle the increased business thrown upon it, and it becomes necessary to ask Congress to provide in the urgent deficiency bill for 300 additional clerks of the various grades.

MAIL EQUIPMENT.

The amount appropriated for mail bags with their appurtenances and for repair of mail equipment during the fiscal year ended June 30, 1903, was $275,000; the amount expended $273,762.07, leaving an unexpended balance of $1,237.93. For details see tabular statement O.

The amount appropriated for mail locks, keys, etc., including repairs of same, was $43,000; amount expended $42,577.63, leaving an unexpended balance of $422.37. For details see Table P.

The amount appropriated for rent and maintenance of mail-bag and mail-lock repair shop was $8,500; the amount expended $8,473.58, leaving an unexpended balance of $26.42. For details see Table Q.

Comparing these amounts with those of the previous fiscal year it is shown that there was a decrease of $549.82 in expenditures for mail bags, etc., a decrease of $215 for mail locks and keys, and an increase of $51 for maintenance of repair shops.

The appropriations for the current fiscal year are:

For mail bags, etc	$300,000
For mail locks, keys, etc	45,000
For rent of building for mail equipment shops, fuel, gas, etc	9,200

The estimate of $280,000 for mail bags, etc., for the current year as first submitted was subsequently increased by $20,000, which will admit of the purchase of about 12,000 additional pouches, and thus retire more of the heavy all-leather pouches, thereby decreasing the cost of transportation to the extent of the difference in weight between the all-leather pouches and the lighter ones substituted for them.

The following statement shows the weight of the all-leather pouches compared with weight of pouches of corresponding sizes adopted in 1899:

Size of pouch.	All-leather pouch.		Pouch adopted in 1899.		Reduction in weight.	
	lbs.	*oz.*	*lbs.*	*oz.*	*lbs.*	*oz.*
No. 2	11		6	3/4	4	1/4
No. 3	8	12	5	1	3	11
No. 4	6	12	4	2	2	10
No. 5	5	4	2	4 1/2	2	15 1/2
Total reduction on the four sizes					13	5
Average reduction per pouch					3	5 1/4

The all-leather pouches that are withdrawn from general use are not condemned, but are converted into use on horseback and other star routes.

Estimates.—The amounts estimated as necessary for the fiscal year ending June 30, 1905, are:

For mail bags, cord fasteners, label cases, and for labor and material necessary for repairing equipmemt, and for incidental expenses pertaining thereto	$331,000
For mail locks, keys, chains, tools and machinery, and for labor and material necessary for repairing same, and for incidental expenses pertaining thereto	45,000
For rent of building for mail bag and mail lock repair shops, and for fuel, gas, watchmen and charwomen, and for oil and repair of machinery for said shops	10,000

The estimate for mail bags, etc., is $31,000 more than the appropriation for the current year, principally due to the failure of a contractor for furnishing certain classes of bags under a contract for four years ending June 30, 1905, which will necessitate making a new contract pursuant to an advertisement now pending. This Office holds the bond of the failing contractor and a responsible surety company for $35,000 to cover the damage suffered by the Government, but all amounts recovered in such cases are turned into the Treasury and are not available for purchasing equipment.

Bags purchased, repaired, condemned, and handled.—The number of bags of all kinds purchased during the last fiscal year was 132,876, at a cost of $120,819.15.

The number of pouches and sacks made in the mail-bag shop was 15,060; the number repaired, 1,730,170, and the number condemned as unfit for further use in the service was 70,484. For details see Table R.

The number of pouches and sacks handled in the mail-bag storehouse, Washington, D. C., during the year was 8,284,225, and at the eight division depositories, 24,684,989.

Contracts for miscellaneous supplies.—Details in reference to contracts made pursuant to advertisements for furnishing miscellaneous articles during the current fiscal year, as well as contracts for similar articles supplied during last fiscal year, will be found in Table N.

Number of mail bags in use.—The estimated number of mail pouches and sacks in use and in reserve in the postal service on June 30, 1903, was 1,380,217, an increase of 76,530 over the number in the service on the corresponding date of the previous year. For details see Table Y.

Waste material.—Waste material, consisting of scrap leather, cotton duck, iron, steel, phosphor-bronze springs, etc., accumulating in the shops during last year, and which could not be used for any other purpose in the manufacture or repair of mail equipment, was disposed of under advertisement. The proceeds from the sales, amounting to $7,906.87, were covered into the Treasury as required by law. For details see Table Z.

Mail equipment by freight.—The plan inaugurated in 1900 of withdrawing from the mails such empty mail pouches, sacks, and other equipment as could be transported in carload lots by freight lines to the depositories or post-offices at which they would next be needed was continued during the past year with very satisfactory results.

Mail-lock repair shop.—This shop is now equipped with all the machinery and tools needed for the proper conduct of its business. Rigid economy has been maintained in the management of the shop,

and the output during the past year has kept pace with the increasing requirements of the postal service. (For detailed information see Table S.) Among the articles made or repaired may be mentioned 59,873 Eagle mail locks made, 50,600 Eagle mail locks repaired, 88,127 Eagle mail locks inspected, 17,955 letter-box padlocks made (old style), 4,340 letter-box padlocks repaired (old style), 2,000 rotary registered mail locks made, 6,421 rotary registered mail locks repaired, 2,167 letter-box padlocks made (new style), 95,379 mail-bag cord fasteners made, 139,577 mail-bag cord fasteners repaired, 444,428 cord clamps made, 64,045 label cases made (brass and steel), 3,256 pounds staples made (brass and steel), 2,466 pounds double burrs made (brass and steel), 37,200 circular label holders made, 50,404 fasteners for soft-head pouches made, 79,615 grommets made, and much other miscellaneous work.

The number of Eagle mail locks estimated to be in the service on July 1, 1902, was 534,561, to which should be added 59,873 made during the fiscal year under review, making the estimated number in use at the close of the year 594,434.

New equipment may be made in our own shops.—I incline to think that the interests of the service justify the abandonment of the contract system of purchasing mail equipment. It is manufactured of canvas and leather, and requires a special plant for the purpose, with experienced and competent workmen. The lowest bidder under advertisement may give a good bond, but be without plant and have no sufficient guaranty to offer that labor employed will be satisfactory. The Department has no authority of law to prevent a contractor employing convict or child labor. The canvas used being specially designed for mail equipment, it should not be used for any other purpose. When, therefore, manufactured bags presented for inspection by the contractor fail to meet the requirements of the specifications, instead of being condemned, rejected, and thrown back on his hands, to be sold to a private purchaser, the exigencies of the service often require that they be accepted at an arbitrary reduction which perhaps protects the Government against undue charge, but burdens the service with inferior equipment. New equipment manufactured at our own shops in the past few years to tide over an emergency has been of better quality and has cost the Government about the same as the equipment purchased under contract. At the same time the wages paid employees have been higher than those paid for like quality of work in private establishments.

New building for mail equipment shops.—I again invite attention to the urgent necessity for safer and better accommodations for the force of employees in these shops. In my annual reports for 1900, 1901, and 1902 the matter was referred to. An act of Congress approved March 3, 1903, section 14, reads as follows:

> That the Secretary of the Treasury be, and he is hereby, authorized, in his discretion, to secure by purchase, condemnation, or otherwise, the entire square No. 324, in the city of Washington, District of Columbia, bounded by C street on the north, by Eleventh street on the east, by Twelfth street on the west, and Government reservation on the south, and to reserve the said square as a site for an addition to the post-office building in the said city, including space for the mail-bag repair shop.

No appropriation was made to pay for the square named (324), hence no action has as yet been taken with a view to acquiring the property.

The act may be construed as providing space in a building covering the square and under the same roof with the clerical force of the Department. Such an arrangement has not been contemplated by this Office and is not deemed practicable. The noise and vibration from the machinery, the dust from quantities of old equipment handled and shaken out, together with other considerations, suggest the necessity of a separate building of brick with steel frame, fireproof, having a floor space of about 60,000 square feet, and with fire walls separating the bag from the lock shop and both from other building or buildings that might hereafter be erected on same square. The southeast corner of square, most accessible to railways, might be occupied by such separate building, speedily constructed, of such outward proportions that it would sufficiently harmonize with later buildings adapted to clerical force or other purpose. I refer to my report for 1902 for fuller reference to the necessity for a proper building to accomodate these shops.

DIVISION OF INSPECTION.

This division is charged with the important duty of enforcing the proper performance of mail service for which the Department has contracted. To this end regular reports at frequent intervals are received from postmasters and other employees along the routes over which the mails are carried. Where failures or irregularities appear, such action is taken as may be required to correct them. Deductions are made from the pay of contractors, not as a source of revenue to the Department, but for the purpose of securing efficient service for the public.

The brief statement given below as to the deductions, fines, and remissions conveys no adequate idea of the importance of the results accomplished by the division of inspection.

Gross amount of deductions and fines from the pay of postal contractors and others by orders issued during the fiscal year ended June 30, 1903		$271,975.68
Amount of remissions on deductions on account of satisfactory explanation	$14,860.07	
Amount of remissions on fines	3,157.31	
		18,017.38
Net amount of deductions and fines under orders issued during fiscal year ended June 30, 1903		253,958.30

The above amounts are classified as follows:

Service.	Deductions and fines.	Remissions.	Net deductions and fines.
Star	$98,432.10	$12,577.77	$85,854.33
Steamboat	22,770.42	4,116.12	18,654.30
Railroad	122,106.66	575.76	121,530.90
Mail-messenger	2,616.93	113.94	2,502.99
Electric and cable car	1,827.06	35.75	1,791.31
Regulation, screen, or other wagon	19,620.34	545.50	19,074.84
Pneumatic tube	376.00		376.00
Railway mail	4,226.17	52.54	4,173.63
Total	271,975.68	18,017.38	253,958.30

FOREIGN MAILS.

The details of the foreign-mail service are given in the report of the Superintendent of Foreign Mails to this office, to which your attention is invited.

The net cost of the transportation of foreign mails during the fiscal year ended June 30, 1903, was distributed as follows:

Trans-Atlantic service		$1,231,162.96
Trans-Pacific service		431,251.26
Miscellaneous service		547,320.70
Panama Railroad Co		29,203.97
Sea post service		29,982.40
Steamboat transfer service, New York		38,000.00
Miscellaneous items, telegrams, etc		2,146.08
Sea conveyance from the United States of closed mails of foreign origin		116,970.07
Paid to foreign countries for the intermediary maritime and extraordinary land transit of mails of United States origin, including parcels-post transit from Panama to Valparaiso		54,970.97
Paid for intermediary ordinary territorial transit of mails of United States origin		129,935.46
Expenses of the United States postal agency at Shanghai		3,866.94
For this Department's share in maintaining the International Bureau at Berne, Switzerland, including subscription to the Journal l'Union Postale and the Universal Dictionary of Post-Offices		971.95
Making the aggregate cost of the service		2,615,782.76
Less amount received for the intermediary maritime transit of mails of foreign origin, including transit on British closed mails from San Francisco to the Australian colonies	$129,704.39	
For the intermediary extraordinary land transit of mails of foreign origin	94,321.00	
Receipts at the United States postal agency at Shanghai for postage stamps sold and postage and box rents collected	8,168.57	
		232,193.96
Net cost of the service		2,383,588.80

The appropriations for the last fiscal year were $2,587,000 for transportation and $160,000 for balances due foreign countries, $10,000 being added to the latter item by the deficiency act of March 3, 1903. The amounts expended, as shown by the Auditor's report, under accounts stated to September 30, 1903, were $2,427,160.36 and $153,539.82, respectively.

The appropriations for the current fiscal year are $2,566,000 for transportation, $165,000 for balances due foreign countries, and $7,500 for the expenses of delegate to the Universal Postal Congress to convene at Rome, Italy.

The amounts estimated as necessary for the fiscal year ending June 30, 1905, are:

For transportation	$2,709,000
For balances due foreign countries	153,000
Total	2,862,000

being $151,000, or 4.83 per cent, more than for the similar items of appropriation for the current fiscal year.

Ocean mail contracts.—The contracts for service on route No. 69, New York to Tuxpan, via Habana and other intermediate ports, and route No. 70, from New York to Habana, expired October 31, 1902,

and proposals for new contracts were invited. Pursuant thereto, contracts for both routes were awarded to the New York and Cuba Mail Steamship Company for service commencing November 1, 1902, the contract for route No. 69 being for a term of ten years and the contract for route No. 70 for a term of five years. Each contract requires a sailing from New York once a week, making a direct steamer service between New York and Habana twice every week.

There are now seven routes under contract for ocean mail service, the annual rate of expenditure for which is $1,475,138.

Sea post-office service.—The extension of the sea post service to the White Star Line, plying between New York, Queenstown, and Liverpool, is now an assured fact, the officials of the International Mercantile Marine Company, which has recently acquired control of the White Star Line, having acceded to the requests of this office for additional sea post facilities and consented to the establishment of the service on the White Star Line and to change the days of sailing of the American Line vessels from Wednesdays to Saturdays in order that departures of sea post service from New York on the two steamship lines named would not be upon the same day of the week.

Plans for fitting up sea post-office rooms for distributing clerks making up mails for the railroad and overland connections at New York have been informally approved by this office and attention given to the various details to be arranged for the new service.

The steamships *Oceanic*, *Teutonic*, *Majestic*, *Cymric*, and *Celtic* will have the sea post service, they forming the weekly service from New York to Queenstown and Liverpool.

Sea post-office lines are therefore provided for on the North German Lloyd, the Hamburg-American, the American, and the White Star lines, comprising sailings from New York on Tuesdays, Wednesdays, Thursdays, and Saturdays of each week and corresponding arrivals.

For the present the sea post service on the White Star Line will be exclusively under the control of this administration, and devoted solely to the handling of mails to and from the United States, this Office not being advised of the desire of the British administration to join in the arrangement, but it is hoped that it will be possible to effect a joint service with Great Britain on the White Star Line, as well as the Cunard Line, sailing from New York and from Liverpool on Saturdays.

Considerable attention has been paid to the relocating and enlarging of the sea post-offices on ships of the American Line and successfully in the cases of the *New York*, *St. Louis*, and *St. Paul*, whereby additional clerks may be employed and more complete separation of mails, and particularly the registered mails, for destinations in the United States, effected.

Parcels post.—The operation of our parcels-post convention with Germany during the last fiscal year shows the following results:

Number of parcels received	57,950
Weight of same	400,289 pounds.
Average weight	6 pounds 14½ ounces.
Number of parcels sent	34,938
Weight of same	77,174 pounds.
Average weight	2 pounds 3 ounces.

It appears from these figures that the United States did not profit by the continuance of the Parcels Post Convention with Germany as originally framed. We were receiving postage on 77,174 pounds sent

to Germany. Germany was receiving postage on 400,289 pounds sent to us. We had a much larger territory through which to transport to destination incoming German mail, as well as five times the weight to handle. After an experimental test of three years it was evident that our people did not avail themselves of the opportunity to send large parcels through the mails to Germany, nor would they, in all probability, desire to increase the weight of parcels if permitted by treaty to send in parcels post mails to other countries of the Eastern Hemisphere with which it was desirable to have uniform conventions in the event that the German convention was to be continued. Acting, therefore, on the recommendation of this office, the Department, after due notice to the German administration and by mutual agreement, has modified the existing convention effective since July 1, 1903, reducing the limit of weight of parcels from 5 kilos (11 pounds) to 2 kilos (4 pounds 6 ounces), and at the same time caused notice to be sent to other countries of the Eastern Hemisphere that negotiations with them would be resumed if desired, looking to the concluding of conventions on the lines of the German convention thus modified. The countries of the Western Hemisphere send us comparatively few parcels. They receive largely from us, and are permitted to retain the limit of weight that adapts itself to their needs, namely, 5 kilos, or 11 pounds.

The number of parcels received from all countries other than Germany in 1902–3 was 16,200
Weight of same ..... 68,556 pounds
Average weight ..... 4 pounds 4 ounces
Number of parcels sent 67,342
Weight of same ..... 269,143 pounds
Average weight ..... 4 pounds

EXPENDITURES, APPROPRIATIONS, AND ESTIMATES.

The following statement shows the expenditures for the past fiscal year, as reported by the Auditor for the Post-Office Department under accounts stated to September 30, 1903, the appropriation for the current fiscal year, and the estimate of amount required for the next fiscal year for each item of service:

Items.	Expenditures for fiscal year ended June 30, 1903.	Appropriations for fiscal year ending June 30, 1904.	Estimate for fiscal year ending June 30, 1905.
Star service, including special offices	$6,561,819.35	$6,960,000.00	$8,100,000.00
Steamboat service	634,957.08	693,000.00	798,000.00
Railroad transportation	36,195,116.18	38,242,000.00	39,698,000.00
Railway post-office cars	5,033,464.22	5,411,000.00	5,736,000.00
Railway mail service	11,228,845.75	12,149,301.00	13,760,000.00
Mail-messenger service	1,091,259.98	1,160,000.00	1,248,000.00
Electric and cable car service	440,420.41	510,000.00	606,000.00
Wagon service in cities	828,707.93	990,000.00	1,133,000.00
Pneumatic-tube service	142,867.04	800,000.00	800,000.00
Necessary and special facilities on trunk lines	122,347.18	167,728.75	.....
Mail equipments	325,214.27	354,200.00	386,000.00
Miscellaneous items, Office Second Assistant Postmaster-General	995.46	1,000.00	1,000.00
Total inland service	62,606,014.85	67,438,229.75	72,266,000.00
Foreign mail transportation	2,427,160.36	2,566,000.00	2,709,000.00
Balances due foreign countries	153,539.82	[a] 172,500.00	153,000.00
Aggregate	65,186,715.03	70,176,729.75	75,128,000.00

[a] Includes $7,500 for expenses of delegate to International Postal Convention, Rome, Italy.

INCREASE IN EXPENDITURES FOR MAIL TRANSPORTATION.

The following table shows the aggregate expenditures for all items under the supervision of this office (including foreign mails) by fiscal years from 1888 to 1903, inclusive, the increase in amount, and the per cent of increase for each year over the preceding year:

Year.	Expenditures.	Increased expenditure over preceding year.	Per cent.
1888	$30,393,209.53	$1,647,064.97	5.72
1889	33,506,648.73	3,113,439.20	10.24
1890	35,246,162.89	1,739,514.16	5.19
1891	38,039,584.78	2,793,421.89	7.92
1892	40,358,432.04	2,318,847.26	6.09
1893	42,904,593.38	2,546,161.34	6.30
1894	44,920,033.64	2,015,440.26	4.69
1895	45,716,380.33	796,346.69	1.77
1896	47,894,486.56	2,178,106.23	4.76
1897	49,897,992.32	2,003,505.76	4.18
1898	52,319,790.86	2,421,798.54	4.85
1899	53,945,796.89	1,626,006.03	3.11
1900	56,374,206.49	2,428,409.60	4.50
1901	[a] 58,264,040.67	1,889,834.18	3.35
1902	[a] 61,143,597.54	2,879,556.87	4.94
1903	[a] 65,186,715.03	4,043,117.49	6.61

[a] Under accounts stated to September 30, 1903.

The aggregate of the appropriations for this office for the current fiscal year is $70,176,729.75, being $3,923,001, or 5.92 per cent, more than for the fiscal year 1903.

The estimate for the fiscal year ending June 30, 1905, is $75,128,000, being $4,951,270.25, or 7.05 per cent, more than the appropriations for the current fiscal year.

TABLES APPENDED.

Accompanying this report, and as a part thereof, are 25 tabulated statements, which contain in a concise form a great deal of information and interesting matter relating to mail transportation. They are briefly described as follows:

TABLE A.—Comparison between the annual rates of expenditure at the close of the two preceding years, the appropriation for the current year, and the estimate for next year.

TABLE B.—Statement showing, by States and contract sections, the length of routes, annual rate of expenditure, and distance traveled in each class of service.

TABLE C.—All railroad and railway post-office car service in operation, shown in detail by States and routes.

TABLE D.—All steamboat service in operation, shown by States and routes.

TABLE E.—Regulation, screen, or other wagon service in detail, by States and routes.

TABLE F.—All electric and cable car service in operation June 30, 1903.

TABLE G.—Statement of service by classes, showing the extent of service in operation June 30, 1902 and 1903, respectively, the increase or decrease, and the percentage of increase or decrease.

TABLE H.—Statement of weights of mails, speed, accommodations for mails, pay, etc., on railroad routes on which the pay was readjusted.

TABLE I.—Statistics of railroad mail service from 1836 to 1903.

TABLE K.—Pneumatic-tube service.

TABLE L.—Increases and decreases in each class of service, by States.

TABLE M.—Statement showing deductions and fines imposed and remissions made on pay of contractors.

TABLE N.—Statement of contracts for mail equipments made or in effect during last fiscal year.

TABLE O.—Itemized statement of the number, prices, and cost of all mail bags, and the cost of wages, cotton canvas, leather, and other material paid for last year out of the appropriation for mail bags, etc.
TABLE P.—Expenditures for supplying the service with mail locks and keys.
TABLE Q.—Expenditures for repair shop for mail equipment.
TABLE R.—Number and kind of bags repaired and made in the equipment shop.
TABLE S.—Itemized statement of work done in the mail-lock shop last year and a contrast of the cost of the same with the cost under the last contract.
TABLE T.—Expenditures for mail bags, 1877 to 1903, compared with growth of the service as indicated by other statistics.
TABLE U.—Mail bags received at and issued from the mail-bag storehouse in this city last year.
TABLE V.—Mail bags repaired and condemned, 1890 to 1903.
TABLE W.—Mail bags used at the New York post-office last year.
TABLE X.—Mail equipment used in the eight grand depository post-offices.
TABLE Y.—Mail pouches and sacks in service June 30, 1903.
TABLE Z.—Statement of condemned material sold.

In submitting this report I am reminded of the fact that it is the seventh annual report which I have been permitted to address to the Postmaster-General. This covers a longer period of service as head of this office than anyone else has enjoyed in the past thirty-four years. I may be permitted, therefore, to speak a very earnest word of commendation for my chief clerk and all my division chiefs and principal subordinate officers, all of whom continue faithful in service as at the date of my last report. As I come to know them better and become more familiar with the details of the responsible service committed to this Bureau, I appreciate more fully the high character of service these officials are rendering the Government. Much overwork has been performed in some of the divisions in order that current work might be promptly and satisfactorily dispatched.

Very respectfully,

W. S. SHALLENBERGER,
Second Assistant Postmaster-General.

Hon. H. C. PAYNE,
Postmaster-General.

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REPORT OF THE THIRD ASSISTANT POSTMASTER-GENERAL.

POST-OFFICE DEPARTMENT,
OFFICE OF THIRD ASSISTANT POSTMASTER-GENERAL,
Washington, D. C., November 28, 1903.

SIR: I have the honor to submit the following report for the fiscal year ended June 30, 1903. The postal subjects within the jurisdiction of this Bureau are—

First. The financial system, involving the receipt and disposal of all moneys coming directly to the Department, the collection of all moneys due the Department, the payment, by warrant or draft, of accounts chargeable against appropriations for the postal service, the designation of depositories for postal funds, and the supervision and instruction of all postmasters relative to the disposition of the postal revenue from whatever source.

Second. The supervision and collection of postal revenue through the issue of stamped paper of all kinds, the keeping of postmasters' accounts, and the redemption of spoiled or damaged stamped paper.

Third. The classification of domestic mail matter, involving the determination of the admissibility of publications to the second class of mail matter, the supervision of those therein, the keeping of the necessary records in connection therewith, and the instruction of postmasters relative thereto.

Fourth. The use of penalty envelopes and the franking privilege.

Fifth. The supervision of proposals and letting of contracts for furnishing the Department with postage stamps and stamp books, stamped envelopes and newspaper wrappers, registered-package, tag, official, and dead-letter envelopes, envelopes for the use of the several Executive Departments, and postal cards.

Sixth. The registry system, involving the supervision of the registered-mail service and the record forms used therein, the establishment and control of all registered-pouch exchanges, and the instruction of all postal officers relative thereto.

DIVISION OF POSTAL FINANCE.

FINANCIAL STATEMENT—POSTAL SERVICE.

The postal revenue for the year and the total actual expenditures are as follows:

Ordinary postal revenue, consisting of—		
Sales of postage stamps, stamped envelopes, newspaper wrappers, and postal cards	$123,511,549.70	
Second-class postage (pound rate) paid in money	5,095,379.62	
Receipts from box rents	3,065,675.06	
Letter postage paid in money (made up principally of balances due from foreign administrations)	186,426.83	
Miscellaneous receipts	58,105.94	
Fines and penalties	46,476.04	
Receipts from unclaimed dead letters	20,921.81	
Total ordinary postal revenue	131,984,535.00	
Receipts from money-order business	2,239,908.24	
Total receipts from all sources		$134,224,443.24
Expenditures:		
Actual amount of expenditures for the service of the year ended June 30, 1903 (which includes all the expenditures made on account of the year up to three months after its close)	$138,491,466.27	
Expenditures during the year on account of previous years	293,021.70	
		138,784,487.97
Excess of expenditures over receipts		4,560,044.73

The outstanding liabilities at the close of the year and the cost of transporting the mails over the subsidized Pacific railroads that have not yet settled their bonded accounts with the Government (the latter amounting to $738,500.72) are not included in the foregoing statement.

The following comparisons with the totals of the preceding year are presented:

Total receipts for 1903	$134,224,443.24
Total receipts for 1902	121,848,047.26
Increase for 1903	12,376,395.98
Per cent of increase	10.15

Total expenditures during 1903	$138,784,487.97
Total expenditures during 1902	124,785,697.07
Increase for 1903	13,998,790.90
Per cent of increase	11.2
Total deficiency for 1903	4,560,044.73
Total deficiency for 1902	2,937,649.81
Increase of deficiency for 1903	1,622,394.92
Per cent of increase	55.2

Detailed statements of postal receipts and expenditures, by items, will be found in Tables Nos. 2, 3, and 4, pages 557 to 563, of this report.

THE DEFICIENCY IN POSTAL REVENUE.

The following figures show the total expenditures for rural free-delivery service during the last three fiscal years, and the deficiency in postal revenue for the same period:

Year.	Total rural free-delivery expenditures during year.	Increase in expenditures on account of rural free-delivery service over preceding year.	Total deficiency in postal revenue during the year.
1901	$1,777,554.61	$1,357,055.50	$3,981,520.71
1902	3,997,884.74	2,220,330.13	2,961,169.91
1903	8,101,928.85	4,104,044.11	4,586,977.16

From the foregoing figures it will be seen that for the past three years the rate of increase in expenditure for the introduction and maintenance of the rural free-delivery service has been more than 100 per cent per year, whereas the normal per cent of increase for the whole service has been approximately 11 per cent. But for this sudden and extraordinary increase in expenditure for a practically new, though necessary, branch of the postal service the deficiency in the postal revenue would, in the usual course of events, by this time have been cut down to a nominal figure—that is to say, the increase alone in expenditures for the rural free-delivery service during the fiscal years ended June 30, 1902 and 1903, was nearly great enough to offset the postal deficiency for those years. In other words, had the rural free-delivery branch been an established service like the other branches of the postal system, and the appropriations for maintaining it been increased only at the normal rate, the postal deficit, by the natural operation of things, would, under the system of administration now prevailing, have been almost, if not entirely, eliminated.

LOSSES BY BURGLARY, FIRE, BAD DEBTS, AND COMPROMISES.

During the year, in cases of loss by burglary and fire where compromises with debtors were found to be necessary, and in others where outstanding debts could not be collected, the Department suffered losses amounting altogether to $26,932.43, an increase of $3,412.33 over the corresponding loss suffered last year, or 14.5 per cent.

AMOUNTS DRAWN FROM THE TREASURY.

The following amounts were drawn from the General Treasury within the last fiscal year on account of special and deficiency appropriations, viz:

For deficiency in the postal revenue:	
For 1899 and prior years	$31,789.48
For 1900 and prior years	3,955.50
For 1902	750,000.00
For 1903	2,000,000.00
Total	2,785,744.98

TRANSACTIONS AT TREASURY DEPOSITORIES.

The account during the year shows the following receipts and disbursements at Treasury depositories, viz:

Amount of outstanding warrants June 30, 1902		$320,698.61
Balance on hand June 30, 1902		10,101,519.29
Counter entry of receipt on account of year ended June 30, 1902		1,500.00
Net balance on hand June 30, 1902		10,100,019.29
Deposits:		
On account of postal revenue	$52,648,905.21	
On account of grants from the General Treasury	2,785,744.98	
		55,434,650.19
Total amount received during the year ended June 30, 1903		65,534,669.48
Amount of warrants paid during the year ended June 30, 1903		56,376,167.93
Balance at depositories		9,158,501.55
Amount of outstanding warrants June 30, 1903		310,713.08
Balance subject to draft June 30, 1903		8,847,788.47

Of the $55,434,650.19 deposited on account of postal revenue, $27,844.77 came through national-bank depositories. The balance remaining in national-bank depositories at the close of the year was $7,766.09. Table No. 5, pages 564–565, shows the receipts and disbursements at Treasury depositories during the year compared with those of the previous fiscal year.

The operations of the division of postal finance during the year will appear from the following statement:

The number of accounts of contractors and other creditors of the Government on account of mail service received and examined was 147,140, requiring the recording, drawing, and mailing of the same number of warrants. The total amount covered by these warrants was $56,366,182.40; the number of drafts drawn on account of balances due present and late postmasters was 4,658, amounting to $146,536.21, making a total amount covered by warrants and drafts of $56,512,718.61. The number of new contracts for mail service received, examined, and entered in books kept in this division was 5,831, and the number of orders of the Postmaster General affecting the mail service, entered in ledgers, was 34,353.

As anticipated in my report of last year, there is a decrease in the number of warrants issued during the year ended June 30, 1903, as compared with the number issued during the previous fiscal year. This decrease is due to the payment of rural free-delivery carriers by the postmasters at the largest post-offices in the respective States in which the service was performed instead of by Post-Office Department warrants. During the fiscal year ended June 30, 1900, upward of 10 per cent of the work incident to issuing warrants was on account of rural free-delivery service, while during the fiscal year ended June 30, 1901, 20 per cent of the warrants issued was on that account, an increase of 100 per cent over the preceding year. For the first six months of

the fiscal year ended June 30, 1902, the salaries of rural free-delivery carriers were paid by warrants, but for the last six months of that year, and during the entire year ended June 30, 1903, those salaries were paid by postmasters, as above stated.

The act of March 3, 1903, gave the Postmaster-General the same authority to designate any officer of the Post-Office Department above the grade of fourth-class clerk to sign "collection" and "transfer" drafts in his stead, as had been previously given for the signing of Post-Office Department warrants, and since May 9, 1903, under the provisions of that act, "collection" and "transfer" drafts have been principally signed by the Superintendent of System of Postal Finance, the same as warrants.

Transcripts were received weekly from the United States Treasury and 9 subtreasuries, and monthly from 51 designated national-bank depositories, with which accounts are kept, comprehending financial transactions aggregating $63,064,950.77.

About 12,000 circulars were sent to postmasters containing instructions relative to the deposit of their postal balances.

The number of letters written on the subject of postal finance was 5,763, and the number of cases for investigation of the accounts of present and late postmasters made up and placed in the hands of the Fourth Assistant Postmaster-General (division of post-office inspectors and mail depredations) was 593.

The correspondence of this division during the past fiscal year has increased 27 per cent, and the number of cases made up for investigation by post-office inspectors has increased 128 per cent during the same time.

FUNDS RECEIVED AT THE DEPARTMENT AND TURNED OVER TO THE DIVISION OF POSTAL FINANCE DURING THE YEAR.

The money received from postmasters erroneously remitting to this Office balances due the Government, from collections made by the chief post-office inspector on account of defaulting postmasters and the recovery of postal remittances lost in transit, from stamp collectors and others for the purchase of stamps, stamped envelopes, and for other purposes, and from bills of exchange covering balances due by foreign postal administrations amounted to $71,608.76, the disposition of which was as follows:

Amount received	$71,608.76
Amount deposited with the Treasurer of the United States at Washington, D. C	16,342.74
Amount deposited with the Assistant Treasurer of the United States at New York, N. Y	54,441.25
Amount deducted by the Treasurer of United States on account of light-weight gold	.06
Amount turned over to the Secretary of the Treasury	142.04
Amount turned over to the Treasurer of the United States, Washington, D. C	1.00
Amount turned over to the Public Printer	.50
Amount turned over to the First Assistant Postmaster-General (division of dead letters)	.25
Amount turned over to the Third Assistant Postmaster-General (division of registered mails)	.06
Amount turned over to the Third Assistant Postmaster-General (division of classification of mail matter)	1.00
Amount turned over to the Fourth Assistant Postmaster-General	36.00
Amount turned over to the postmaster at Chicago, Ill	20.00

Amount turned over to the postmaster at Washington, D. C.	$60.41
Amount returned to remitters	336.58
Amount used in the purchase of stamps, stamped envelopes, and postal cards, which were sent to the persons ordering them	226.57
Amount of postage stamps canceled (conscience)	.30
Total	71,608.76

The amount of balances due the United States from foreign countries received in the division of postal finance during the year was $54,170.05. The amount of balances due foreign countries from the United States remitted through the division of postal finance during the year was $191,700.50.

DEAD-LETTER FUND.

The money taken from dead letters, for which no owners could be found, and that realized from the auction sale of unclaimed articles accumulated in the dead-letter office aggregated $20,961.49, which was delivered to the division of postal finance and disposed of as follows:

Amount received	$20,961.49
Amount in current funds deposited in the Treasury at Washington, D. C.	20,551.78
Amount realized from the sale of foreign and uncurrent funds by the postmaster at New York, N. Y., and deposited with the assistant treasurer at New York, N. Y.	370.03
Total amount deposited	20,921.81
Amount of loss sustained in the sale of uncurrent funds, from counterfeits and from mutilated minor coin, and deductions on account of light-weight gold	14.00
Amount returned to the dead-letter office	25.68
Total	20,961.49

APPROPRIATIONS, EXPENDITURES, AND ESTIMATES FOR THE POSTAL SERVICE COMING UNDER THE THIRD ASSISTANT POSTMASTER-GENERAL.

The specific appropriations for the postal service coming under the control of this Office during the year (see Table No. 2) amounted to $1,578,000, and the expenditures out of these appropriations to $1,459,536.90, leaving an unexpended balance of $118,463.10. There is an unexpended balance in each item of the appropriations.

The estimates of appropriations for the service coming under control of this Office during the coming fiscal year ending June 30, 1905, amount to $1,850,000, which is an increase of $243,000 over the year ending June 30, 1904. This excess is on account of the estimated increase in the cost of manufacture of postage stamps, stamped envelopes, and postal cards, and registered package, tag, official, and dead-letter envelopes. Details of these estimates will be found in statement No. 1, on page 554 of this report.

DIVISION OF POSTAGE STAMP SUPPLIES.

The total number of pieces of stamped paper issued to postmasters during the fiscal year was 7,024,902,795, value $129,331,880.61, an increase over the previous year of 979,539,942 pieces, or 16.03 per cent, and of $16,737,259.89, or 14.87 per cent, in value. To these stamp supplies should be added 9,829,240 stamp books, the selling price of which over the value of the stamps contained therein was

$98,292.40, making the total number of pieces of stamped paper and stamp books issued to postmasters 7,034,732,035, value $129,430,173.01, an increase over last year of 973,275,908 articles, or 16.05 per cent, and of $16,764,619.55, or 14.88 per cent.

In detail these issues and their comparative volume and value with those of the previous year are shown in tables 6, 7, and 8, pages 565, 566, and 567, in this report.

ORDINARY AND SPECIAL-REQUEST STAMPED ENVELOPES.

Of the 948,654,000 stamped envelopes issued, 332,051,000, or 35.01 per cent, were "ordinary," and 616,603,000, or 64.99 per cent, were "special-request" with printed return cards.

All of the special-request and 239,401,000, or 72.09 per cent of the ordinary stamped envelopes were issued to postmasters from the main agency at Hartford, Conn.; 92,650,000, or 27.91 per cent of the ordinary envelopes, were issued from the subagency at St. Louis, Mo.

VALUE OF STAMPED ENVELOPES OVER COST.

The gross selling value of stamped envelopes and newspaper wrappers issued to postmasters was $18,831,227.21, and their postage value was $17,751,852.50, leaving $1,079,374.71 to defray the cost of manufacture and distribution. The contract cost, with $64.20 deducted for misprints, was $718,182.22, leaving $361,192.49 to defray the cost of distribution, in contrast to $460,340.26 for the previous year. The decrease in the amount for cost of distribution is due to the greater cost of manufacture of envelopes under the new contract which took effect January 1, 1903.

OFFICIAL AND REGISTERED-PACKAGE ENVELOPES.

The total number of official and registered-package envelopes issued during the year was 122,615,500, an increase of 18,494,427, or 17.7 per cent, over last year; contract cost, $150,754.82. Of the number issued 25,915,450 were registered-package and tag envelopes, and the remaining 96,700,050 were penalty envelopes used for carrying communications for the postal service.

BOOKS OF STAMPS.

There were issued during the year 9,829,240 stamp books, an increase of 2,735,966, or 38.58 per cent, over the previous year. Deducting the cost of manufacture, $30,293.82, from the selling price over the value of the stamps contained in these books, $98,292.40, the net profit to the Department in their sale is found to be $67,998.58.

The following is a comparative statement showing the increase in the demand for stamp books and the profit to the Department over cost of manufacture yearly since the books were first introduced in 1900:

Year.	Stamp books issued.	Value.	Profit over cost of manufacture.	Rate of increase in number issued.
1900	2,263,040	$830,648.48	$14,790.54	
1901	4,698,423	1,735,692.15	24,952.89	107.61
1902	7,093,274	2,560,302.50	43,402.92	50.97
1903	9,829,240	3,498,386.80	67,998.58	38.58

FREIGHT SHIPMENTS.

In addition to the envelopes furnished postmasters by mail, 18 carloads were shipped by freight to the larger cities, and 44 carloads were shipped during the year to the St. Louis subagency for distribution to postmasters by mail, making a total of 62 carloads dispatched, containing 155,329,000 envelopes, which weighed 1,518,900 pounds.

In addition to the postal cards issued by mail, 54 carloads were shipped by freight from the manufactory to postmasters during the year. The number of carloads shipped from the manufactory to the four distributing subagencies was 102, making a total of 156 cars shipped, containing 786,350,000 cards, which weighed 5,852,148 pounds. These freight shipments relieve the postal service of the transportation of the cards and envelopes, which would otherwise be shipped by registered mail.

REQUISITIONS FILLED.

The number of requisitions filled during the past year, compared with the number filled during the year ended June 30, 1902, is as follows:

	1902.	1903.	Increase.	Decrease.	Per cent.
Stamps:					
Ordinary	207,089	211,467	4,378		2.11
Pan-American	4,826			4,826	100.00
Stamp books	33,523	39,839	6,316		18.83
Postage-due	18,460	18,340		120	.65
Envelopes:					
Ordinary stamped	88,125	84,552		3,573	4.05
Special-request	303,520	342,149	38,629		12.72
Official and registered-package	147,321	107,781		39,540	3.66
Postal cards	77,809	88,610	10,801		13.88
Total	880,673	892,738	12,065		1.25

ISSUE OF POSTAL CARDS.

The number of postal cards issued to postmasters during the year from the agency at the point of manufacture and from the several distributing subagencies is as follows:

Kind.	Main agency at manufactory.	Troy subagency.	Cincinnati subagency.	St. Louis subagency.	Washington subagency.	Total.
A, 1-cent			62,000	82,000	40,000	184,000
D, 1-cent double	2,602,500	2,998,250	2,257,000	2,693,500	2,673,750	13,225,000
E, 2-cent		383,200	175,150	300,950	145,650	1,004,950
F, 2-cent double		5,000	6,500	2,500	1,500	15,500
H, 1-cent		3,120,000	1,731,500	7,201,500	3,824,000	15,880,000
K, 1-cent		507,500	507,500	742,000	466,000	2,223,000
McKinley, 1-cent	274,211,500	96,868,000	120,359,000	135,465,000	111,222,000	738,125,500
Total	276,814,000	103,881,950	125,098,650	146,490,450	118,372,900	770,657,950

The issue of postal cards as shown by the foregoing table is 40.83 per cent above that of the preceding year. This large increase is due to the fact that no cards were manufactured during two months of the previous fiscal year pending the starting of the new factory in Maine. During the suspension of manufacturing postmasters' requisitions were

reduced by the Department, and stocks on hand at post-offices throughout the country were so diminished that an exceedingly large issue was required during the fiscal year 1903 to replenish them.

STAMPED PAPER FURNISHED THE PHILIPPINES.

An itemized statement of stamp supplies furnished the bureau of posts of the Philippines during the fiscal year ended June 30, 1903, is given below:

Denomination.	Ordinary stamps overprinted (including 2-cent stamps in books).	Stamped envelopes and newspaper wrappers.
1-cent	3,000,000	202,500
2-cent	2,214,560	100,500
5-cent	250,000	10,000
15-cent	50,000	.....
50-cent	50,000	.....
1-dollar	2,000	.....
2-dollar	1,000	.....
5-dollar	600	.....
Total	5,568,160	313,000

Of the 2,214,560 overprinted 2-cent stamps furnished the bureau of posts of the Philippines, 214,560 were in book form, as follows: 162,000 in books of 12 stamps each and 52,560 in books of 48 stamps each, a total of 14,595 books.

Of the 313,000 overprinted envelopes furnished the bureau of posts of the Philippines, 310,000 were "ordinary" and 3,000 "special-request," bearing the printed return card of the purchaser.

Requisitions for these supplies are made by the director of the bureau of posts on this office, which orders them from the Department's contractors, who furnish the supplies at the prices fixed by their contracts with this Department. The cost of manufacture is paid by the bureau of posts of the Philippines, the invoices and payments, in addition to the requisitions, being transmitted through this office. In the case of postage stamps and postal cards the bureau of posts also pays the extra cost for overprinting the word "Philippines" on the stock, but no extra charge is made for this item in connection with stamped envelopes furnished.

NEW SERIES OF POSTAGE STAMPS.

During the year a new series of postage stamps, known as the 1902 series, has been issued to replace the series of 1894. After the new 2-cent stamp was issued it was decided that a more artistic design could be made, and the Bureau of Engraving and Printing was requested to prepare one. This improved design was first issued to postmasters November 12, 1903.

The name of the person whose portrait is presented appears on each stamp, and the years of birth and death. The words "Series 1902" appear in small type upon each of the stamps, with the legend "United States of America," "Postage," and the denomination in words in bold-faced white letters as well as in Arabic numerals. Briefly, the series is made up as follows:

Denomination.	Subject.	Color.	Facing.	Issued.
1-cent	Franklin	Green	½ right	Feb. 3, 1903
2-cent	Washington	Red	½ left	Jan. 17, 1903
2-cent (revised design)	do	do	do	Nov. 12, 1903
3-cent	Jackson	Purple	½ right	Feb. 11, 1903
4-cent	Grant	Brown	do	Feb. 10, 1903
5-cent	Lincoln	Blue	do	Jan. 20, 1903
6-cent	Garfield	Magenta	½ right	Feb. 20, 1903
8-cent	Martha Washington	Dark lilac	Slightly left	Dec. 6, 1902
10-cent	Webster	Light brown	½ right	Feb. 5, 1903
10-cent (special delivery)	Boy on bicycle	Light blue	Right	Dec. 9, 1902
13-cent	Harrison	Dark slate	½ left	Nov. 18, 1902
15-cent	Clay	Olive	Slightly left	May 27, 1903
50-cent	Jefferson	Orange	Slightly right	Mar. 23, 1903
$1	Farragut	Black	½ left	June 5, 1903
$2	Madison	Steel blue	½ right	Do.
$5	Marshall	Dark green	Slightly right	Do.

FURTHER DESCRIPTION OF THE 1902 SERIES.

One-cent.—On each side is a child's figure, nude, except for flowing drapery about the loins, standing in air and holding aloft in the upper corners of the stamp an electric-light bulb.

Two-cent.—The portrait of Washington, by Stuart, is in an elliptical opening nine-sixteenths of an inch axis, on each side of which a United States flag falls; the arabic numeral 2 appears in the lower corners in scroll and leaf surroundings.

Two-cent (revised design).—The Stuart portrait of Washington is employed as the subject, but the head is larger than in the first 2-cent stamp of the 1902 series. The opening is an oblong on end, the top line curving upward; the background is a United States shield; the numeral 2 on the lower left side of the portrait is surrounded by a laurel wreath; that on the right side by an oak wreath.

Three-cent.—The portrait of Jackson, whose shoulders are cloaked, has on each side the upper half a bearded man with naked front. The waist is encircled by a belt with a shield-shaped buckle. One arm is bent above the head and the other forearm flexed upward from the elbow, the hands supporting a robe over his head, back, and sides. The portrait opening is formed by the sides of these figures, and the numerals of value cover the lower limbs of the figure; an arched line above and a straight horizontal line below.

Four-cent.—The distinctive features of the border are eagles' heads looking outward in the upper corners, with a well-defined arch, including perpendicular haunches extending slightly below the half circle, as the inclosing line of the portrait. Wreathes of oak leaves surround the numerals near the lower corners, and above each of these numerals are two small flags whose staffs lean outward.

Five-cent.—Female figures full robed, except the arms, are resting against the portrait line, and crossing wands of palm over the vignette, with flags floating behind their heads. The numerals are in the lower corners.

Six-cent.—The border of this stamp is architectural, consisting, as a main feature, of a fluted pilaster on each side, midway of which is a fancy tablet bearing the numeral 6.

Eight-cent. The vignette inclosing line, bearing the words "United States of America" on the upper half, is bordered by a laurel wreath on the sides, leaving an unconnected space above, which is filled with the words "Series 1902." The face is after the painting by Stuart.

Ten-cent.—The ornamental frame consists principally of lateral fasces with battle-axes projecting from their tops, edges outward.

Ten-cent (special delivery).—At each side is a fluted pillar supporting a tablet upon which are the words, "United States of America." A messenger boy riding a bicycle toward the right appears on the left end, and the words "Special delivery," "Secures immediate delivery at any United States post-office," are across the face of the stamp. The numerals 10 are in the lower corners in foliated spaces.

Thirteen-cent.—Resting on each side of the upper half of the elliptical opening for the portrait is a seminude female figure, the lower limbs being draped. That on the right holds a mallet in her right hand, while the left rests on a carved head. That on the left supports with her right hand a book resting on her knee, and the left pushes back the mantle covering her head. The bases supporting these figures and partly hidden columns carry the numerals 13.

Fifteen-cent.—The border consists essentially of portions of an oak wreath showing on the sides, and outside of that appears a short bead line on each side curved with the wreath.

Fifty-cent.—The upper corners between the frame of the stamp and the ellipse (which is broken at the bottom by a straight horizontal line) surrounding the vignette, are filled by foliate ornaments. Perched eagles with their beaks outward fill the lower corners; upon these are placed the denomination numerals 50. The original painting of Jefferson is by Gilbert Stuart.

$1.—The superior border line of the portrait is a half circle. The denomination numerals and the dollar sign appear in the upper corners. A marine holding a musket sits in the lower left-hand corner and a sailor supporting a boat hook in the right.

$2.—The portrait is after the painting by Gilbert Stuart, and looks from a circular opening. The border is noticeable from the sprays of palm on the sides, the stems extending behind and below a sharp-pointed shield on each lower corner, upon which the denomination in an arabic numeral is placed.

$5.—The vignette is inclosed above by a line describing a half ellipse cut through its lower minor axis. Architectural design predominates in the border; fluted columns form the sides, and on either end of the entablature, immediately above the pillars upon which it rests, are the mythological heads of Liberty and Justice facing each other on the left and right, respectively. The numerals are on scrolled backgrounds near the lower corners.

NEW CONTRACT FOR STAMPED ENVELOPES.

A contract for furnishing the Department with stamped envelopes and newspaper wrappers for the four years beginning January 1, 1903, was executed with the Hartford Manufacturing Company, Hartford, Conn., the lowest bidder. The cost prices were somewhat higher than those of the preceding contract.

Two new envelopes (a No. 6 1-cent ungummed white, made after the second-quality formula, and a No. 8 1-cent ungummed first quality) and two newspaper wrappers (2-cent, size 8 by 12 inches, and 4-cent, 10 by 15 inches) were added to the schedule, while the 5½ by 10½ inch 2-cent wrapper was discontinued.

In the new price schedule under this contract the selling price of the

No. 6 1-cent ungummed manila envelope was reduced from $11 to $10.68 per thousand, and the 1-cent newspaper wrapper from $11 to $10.60; the prices of the new items in the schedule were fixed at $11.08 per thousand for the No. 6 1-cent white, $11.80 for the No. 8 1-cent, $21.40 for the 2-cent wrapper, and $42 for the 4-cent wrapper. The prices of the other envelopes remain the same as in the 1899 schedule.

NEW DESIGNS OF STAMPS EMBOSSED ON STAMPED ENVELOPES.

The stamps of the four denominations embossed on the previous series under the 1899 contract were all of a uniform size and shape (an ellipse standing on end), but each denomination of the new 1903 series is of a distinctive geometrical figure, as shown by the following description:

Denomination.	Subject.	Color.	Shape.
1-cent	Franklin facing left	Green	Circle
2-cent	Washington facing left	Red	Oblong with rounded corners, standing on end.
4-cent	Grant facing left	Brown	Square with rounded corners.
5-cent	Lincoln facing left	Blue	Ellipse lying lengthwise.

DIVISION OF REDEMPTION OF STAMPED PAPER.

Claims for redemption of stamped paper received from postmasters during the year and their disposal are as follows:

	Regular.	Discount.	Total.
Claims presented	18,659	7,667	26,326
Claims allowed	18,252	7,667	25,919
Claims rejected	407		407
Value of redemptions	$604,207.71	$7,811.25	$612,018.96
Increase of regular cases			5,500
Increase in value of regular cases			$202,891.38

Besides the extra-discount credit this report includes the redemption of all the 2-cent wrappers under the old schedule of prices, and ordered to be returned for destruction and credit from 2,443 post-offices, amounting to $71,507.10; also 9,512,332 spoiled postal cards, amounting to $71,342.50, the redemption of which at 75 per cent of their face value was authorized August 1, 1902, and will continue indefinitely.

During the year it was necessary to instruct 2,147 postmasters as to the proper manner of signing letters of transmittal of stamp supplies for redemption, and 1,268 postmasters as to the redemption of stock of all kinds.

One thousand one hundred and thirty-nine firms and individuals were instructed that stock was not redeemable from them.

The number of registered packages of rejected stock returned to postmasters and individuals was 1,056.

DIVISION OF THE CLASSIFICATION OF MAIL MATTER.

The number of original cases received and treated in this division during the year was 15,178, of which 11,674 were "new" and 3,504 "reopened" cases.

Of the cases considered and acted upon, it is estimated that 5,061 related to mail matter of the first, third, and fourth classes, penalty envelopes, and the franking privilege. Deducting these from the total number of cases received, leaves 10,117 cases relating to mail matter of the second class.

The applications for admission of publications to the second class of mail matter favorably considered numbered 3,850, a decrease of 722 from the previous year. Of these, 2,433 were shown by the serial number to be in the first year of issue and are regarded as new, while the remainder (1,417) were old—reentered by reason of change of name, office of publication, periods of issue, or other cause. Entry was denied 1,713 publications, an increase of 32 over the previous year. The total number of applications acted upon was 5,563, a decrease of 690 from the previous year.

The total number of publications passed upon and their status determined was 5,679, a decrease of 1,084 from the previous year.

The correspondence of the division amounted to 24,624 letters and 51,396 circulars, an increase of 7,056 letters and 13,382 circulars. Of the circulars 28,143 pertained to the auditing of 38,352 postmasters' quarterly statements of pound-rate postage collected.

WEIGHT, ETC., OF SECOND-CLASS MATTER MAILED AT THE POUND RATE AND FREE OF POSTAGE.

The number of pounds of second-class matter mailed, upon which postage at the cent-a-pound rate was paid, was 509,537,962, creating a revenue of $5,095,379.62—an increase of 55,385,603 pounds in weight, and $553,856.03 in postage collected at the pound rate—an increase of 12.195 per cent over the previous year.

The number of pounds of second-class matter mailed free of postage within the county of publication during the fiscal year was 36,305,884 pounds, an increase during the year of 2,211,340 pounds, or 6.48 per cent, and this represents 6.65 per cent of the entire amount of second-class matter mailed during the year in the United States.

The aggregate amount of second-class matter mailed at the pound rate and free of postage during the year was 545,843,846 pounds, or 272,921.92 tons, an increase of 57,596,943 pounds over the previous year.

The number of post-offices at which second-class matter was mailed at the pound rate was 9,588, an increase over the previous year of 162.

MAILINGS OF SECOND-CLASS MATTER AT THE LARGER OFFICES.

Table No. 9, page 568, gives the 45 principal offices of the United States, and the mailings of matter of the second class, the pound rate of postage collected thereon, and the percentages of increase or decrease, as compared with the year 1902.

These offices show a net increase of 45,402,889 pounds, or 12.127 per cent, as against 5.416 per cent in 1902.

There was a decrease at only one office, that of Utica, N. Y., and the amount of the decrease was 26,480 pounds, or 2.603 per cent.

It appears from the statement in Table No. 9 that New York City and Chicago, Ill., collected 32.38 per cent of the entire amount of pound-rate postage collected in the United States, as against 35.26

per cent in the previous year; and that the 5 offices—New York, Chicago, St. Louis, Philadelphia, and Boston—mailed 48.31 per cent, as against 49.68 per cent for the previous year, and that the 45 offices mailed 82.38 per cent, as against 82.43 per cent mailed the previous year.

COLLECTIONS OF THIRD-CLASS POSTAGE ON MATTER IMPROPERLY MAILED AT SECOND-CLASS RATES.

Under section 441 of the Postal Laws and Regulations it is required that when a publisher applies for entry of a publication to the second class of mail matter he shall while the case is pending deposit with the postmaster, in trust, a sum of money sufficient to cover the third-class rate on the copies mailed. The purpose of this is to guard the Government against loss in case the publication should be determined to be matter of the third and not of the second class.

Under this provision the receipts of third-class postage upon publications which were determined to be matter of the third and not of the second class amounted to $42,761.25, an increase of $14,565.36, or 61.66 per cent over the previous year.

ABUSES—SECOND CLASS OF MAIL MATTER.

As previously shown, the number of pounds of matter of this class mailed during the fiscal year was 545,843,846. This is an increase over the previous year of 2,211,340 pounds. No estimate is made as to the proportion of second-class mail matter to the whole of the mail matter like that shown in the report for the last fiscal year; a lack of time compelled the omission.

The abuses of this class of mail matter have been discussed and defined in many previous reports. Under date of July 17, 1901, after much deliberation and after the abuses of this class had been a scandal to the postal service for many years, it was determined to undertake a reform, through a proper and rational interpretation of the statute, which should be as thorough as possible and yet free from interference with legitimate newspapers and periodicals in the rights accorded them by law. Since that date the Department has moved steadily forward toward accomplishment of the desired end. The following results may be regarded as definitely attained and substantially established:

First.—All publications which are in fact books and not "periodical publications" have been relegated to the third class, as the statute intends, under the rule that the law may not be cheated by mere device or gloss of words.

Second.—The news agents' "return privilege"—that is to say, the privilege of mailing at the pound rate dead or unsold matter back to the point from which it was originally shipped, to be returned to the publisher—has been stopped.

Third.—A limit properly justified by the statute has been put upon the sample-copy privilege, the effect of which is to cure in the main the so-called sample-copy abuse.

Fourth.—Alleged "newspapers" and "periodicals," issued by certain private schools, academies, and other educational enterprises, usually with an advertising purpose, and claiming the benefit of the

law according the second-class mailing privileges to publications of "regularly incorporated institutions of learning," have been eliminated from that class and placed in the third class of mail matter, as contemplated by law.

Fifth.—Rulings have been made and sustained under the act of March 3, 1879, which tend to correct the great evil by which many advertising sheets, contrary to the express prohibition of the statute, both gain and maintain the second-class mailing privilege by having advertisers or other interested parties contract for a bulk number of copies of several or many issues to be sent to persons designated by them. Such pretended subscriptions made in bulk were formerly classed as regular in making up what the statute requires—"a legitimate list of subscribers."

The first three reforms above mentioned may be said to have been completely accomplished. There has been a contest in the courts on the first item. The Department lost in the lower court, but in the court of appeals it won. The unanimous decision of the higher court, in judicially construing the act of March 3, 1879, has firmly established the principle upon which the reform is based—that is to say, it has established that a periodical publication may not be created by mere formal compliance with a few external requirements of the statute. To quote from the syllabus of the opinion of the court:

The second class of mailable matter does not include books, whether issued separately or in consecutive numbers and as parts of a so-called "series."

The terms "periodical" and "periodical publication," as used in the act of March 3, 1879, are synonymous, and used in their obvious and natural sense, and denote the well-recognized and generally understood class of publications commonly called by the name of "periodical."

The provisions of section 14, act of March 3, 1879, are not descriptive of the kind of publication which is to be admitted to the class of periodical publications provided for by sections 7 and 10 of said act, but they are express limitations added to the description in those sections.

The provisions of section 14 are not to be taken to determine what is a periodical publication, but to ascertain whether, being such a publication as is contemplated by section 10, it also answers the additional conditions there imposed.

The mere fact that publications comply with the conditions of section 14, act of March 3, 1879, in that they are regularly issued from a known office of publication, at stated intervals, as frequently as four times a year, bear a date of issue, are numbered consecutively, and are formed of printed paper sheets without board, cloth, leather, or other substantial binding such as distinguish printed books for preservation from periodical publications, and consist of literature, does not constitute such publications "periodical publications" within the meaning of the law.

The term "devoted to literature," as used in the act of March 3, 1879, is not applicable to the several numbers of a so-called series or library, each one of which is a complete and independent work. While each of such numbers may constitute literature in itself, they are not accurately defined as "devoted to literature."

(NOTE: Sec. 14, act of March 3, 1879, is sec. 428, P. L. & R.; sec. 10 is sec. 427, P. L. & R.; sec. 7 is sec. 410, P. L. & R.)

This case has been appealed to the United States Supreme Court, and of course there is a possibility that the decision of the court of appeals may be reversed, but until reversed it is the law governing the Department's action.

The second reform above mentioned was not contested in the courts. The manifest propriety of the Department's interpretation of the law appears to be accepted without extraordinary protest.

The third reform above mentioned consisted in holding merely that sample copies must bear a reasonable proportion to the whole number of copies circulated, which proportion if regularly exceeded would

indicate that the so-called samples were not samples, but in fact the material part of the circulation. The limit of sample copies fixed by the Department which can be mailed at the pound rate with any one issue is 100 per cent upon the "legitimate list of subscribers;" that is to say one sample copy for each "legitimate" subscriber's copy. This is regarded by publishers of *bona fide* publications generally as a singularly liberal construction. Practically, it is held that a publication which regularly distributes more free copies than copies to legitimate subscribers is obviously primarily (chiefly) designed for free circulation, within the meaning of the law, even though the excess over those allowed at the pound rate be distributed by private carrier or at a higher postage rate.

The fourth reform above mentioned is that of eliminating from the second-class printed matter of private schools, colleges, and other educational enterprises generally, of an advertising character, which had gained the privileges of the second-class under the construction that such institutions came within the law providing such privileges for "regularly incorporated institutions of learning." It appeared formerly to be merely necessary to use the device of "incorporation" to secure this privilege, while it is held now that the act granted this extraordinary privilege to only institutions organized for the benefit of the public and not for private gain. This ruling was judicially contested by an "incorporated" educational institution organized for private gain. The Department was sustained in its contention both in the lower court and in the court of appeals. I quote from the unanimous opinion of the court of appeals in this case:

> But we are so clearly of the opinion that the Postmaster-General was right in his construction of the act of Congress, and that the relator is not a regularly incorporated institution of learning within the sense and meaning of the law, that it is wholly unnecessary for us to consider the second question.

The court further stated in the same opinion:

> The lower education, when it is not given by the State or through some public agency, or by some religious organization as a matter of benevolence, is usually left to individuals to be conducted as a business, while instruction in the higher branches of human knowledge is generally disseminated through those institutions of learning, popularly known as such, which owe their origin to private or public munificence and are established solely for the public good and not for private gain. That in this popular and ordinary sense the expression "institutions of learning," used in the act of Congress of July 16, 1894, is to be understood we think admits of no reasonable doubt. All the other organizations mentioned in the act to which the benefit of classification in the category of second-class mail matter is extended are of a charitable, fraternal, or benevolent character, and none of them are conducted for individual gain.
>
> The relator's organization is conducted exclusively for individual gain. It may redound also to the public benefit. All education may be presumed to be for the public benefit and the good of state—but so is the business of the baker, and the grocery store, and the farmer, and the manufacturer—and we fail to see why the man who betakes himself to teaching as an occupation should be privileged over and above the baker and the farmer and the manufacturer to send his periodical through the mails as second-class matter.

This case has not been appealed to the United States Supreme Court.

The fifth reform above mentioned presents the most important administrative difficulties, and the cases involving the correctness of the Department's ruling have not yet been settled. No doubt this evil exists in a great degree unknown to the Department, and by it many newspapers and periodicals maintain the second-class mailing privilege contrary to the prohibition of the statute against publications

"designed primarily for advertising purposes, or for free circulation, or circulation at nominal rates."

In addition to the foregoing, much progress has been made in correcting the practice of giving so-called "premiums" to subscribers, by which means many newspapers and periodicals are, in effect, given away, contrary to the prohibition of the statute against free circulation. There are many instances where more than the value of the subscription price is returned in merchandise to the alleged subscriber, rendering the circulation free or at a nominal rate, and the conclusion is obvious that the publication exists primarily for advertising purposes.

A vast amount of work remains to be accomplished in the direction of curing the abuses of the second-class mailing privileges, especially in the cases of publications which exist for advertising purposes; but I am pleased to be able to report to you the substantial accomplishments above recorded.

There has been much litigation so far, and upward of thirty publications are still involved in court proceedings, and on the result of these cases a great part of the reform depends. The cases decided by the court of appeals favorably to the Department are believed to be controlling in principle upon the cases in the lower courts. Among the six cases which have already been decided by the Court of Appeals two of them were adverse to the Department and four of them in its favor. The two decided adversely involved practically the same questions, viz, that of the compliance by railway guides and railway directories with the terms of the regulation of July 17, 1901, requiring periodical publications to consist of "current news or miscellaneous literary matter, or both."

One of the four cases decided in the Department's favor involves the controversy as to what constitutes a "regularly incorporated institution of learning," the details of which have already been given. Two of the four cases involve phases of the long-standing "book" abuse. The effect of the court's decision in these cases has already been discussed. The remaining case involves, in a broad way, the nature of the function exercised by the Postmaster-General through the Third Assistant Postmaster-General in passing upon applications made for the benefit of the second-class mailing privilege.

In this last-mentioned case the court of appeals, in reversing the action of the lower court, expresses itself as follows:

> The facts of this particular case illustrates the danger of granting relief by way of mandatory injunction, as has been done in this case. By the terms of the final decree the complainant is declared "entitled to have its publication entered, received, and transmitted through the mails as matter of the second class, and the Postmaster-General is perpetually restrained from denying to the complainant the receipt, entry, and transmission through the mails of its publication entitled 'Masters in Music' as mailable matter of the second class * * * and also from refusing to receive said publication and transmit the same," etc. No matter, then, what may be the particular contents of future numbers of the Masters in Music, the Postmaster-General is bound to receive and transport them as second-class mail matter as long as they retain a paper cover and bear the title of the first number issued.

The effect of this decision is to establish the doctrine that the admission of matter to the second-class mailing privilege is a continuous function which is not exhausted by the mere act of original entry upon the facts as then appearing. In line with this is the decision of the same court in others of the cases mentioned, setting aside the conten-

tion that the Department is controlled in the current transmission of periodicals at the second-class rate by its prior action in admitting them. Speaking of the Postmaster-General and other heads of Executive Departments, the Court of Appeals said "they have the right to reverse a practice, even long continued, when clearly convinced that it is founded upon an incorrect interpretation of the law." Had the contrary contention prevailed, the entire reform would necessarily have failed.

The great importance of the reform of the abuses of the second-class mailing privileges impressed me, as you are aware, that the Department should be provided with special counsel for conducting its cases before the courts. With your approval, therefore, I brought that matter before the Appropriation Committee in the last Congress and secured a special appropriation of $25,000 for that purpose. Upon your recommendation, under the provisions of the act, the Attorney-General engaged for this Department Mr. John G. Johnson, of Philadelphia, and Mr. Henry H. Glassie, of Washington, D. C., as special counsel. While there are still many cases pending and the work of the counsel is yet incomplete, I am glad to be able to report to you that their services to date have proven the wisdom of securing the special appropriation and the engagement of those very gentlemen on behalf of the Department.

As a member of Congress has expressed it to me, the accomplishments to date of the special counsel for this Department are worth to the Government many times the entire appropriation for their services. In this opinion I concur.

From the foregoing it will be clear to you that the reform of the abuses of the second-class mailing privileges is moving steadily forward. True it is that the progress of the work has been considerably impeded by the action of the parties taking their cases into court; but there has been no real cessation. It is expected that within the next few months the court proceedings will be practically ended and the way then opened to complete the reform. It should be understood, however, that it is a slow and difficult procedure. Under the law each publisher must have his opportunity to be heard before action can be taken, and the processes by which he endeavors to stay the Department are manifold and complex, yet all claims and representations must be fairly considered in order to avoid injustice in the least degree. I estimate that the work of carrying the reform to a proper completion will occupy another two years.

CONSOLIDATION OF THIRD AND FOURTH CLASS MATTER.

In my last report I explained the difficulty of differentiating between third and fourth class matter, and how irritating and vexatious the questions which arise through the necessity of maintaining these two classes are to the public. Without repeating the argument on this point, I again recommend that Congress be asked, in the interest of efficient postal service, to consolidate the third and fourth classes of mail matter and fix the rate of postage at 1 cent for each 2 ounces or fraction thereof. The effect upon the revenues would be immaterial, while the service would be greatly simplified and advanced, both to the public and to the Department.

THE PAYMENT OF POSTAGE IN MONEY ON MAILINGS OF IDENTICAL PIECES OF THIRD AND FOURTH CLASS MATTER.

The recommendation in my last annual report that Congress be asked to authorize the Postmaster-General to accept, under suitable regulations, the mailings of large quantities of identical pieces of printed matter and small articles of merchandise without the necessity of affixing postage stamps to the individual pieces, was favorably considered by the House of Representatives and passed that body as a rider on the Post-Office appropriation bill. That provision, however, was eliminated when the bill passed the Senate. It is my opinion that the failure of the measure in the Senate was due to a misapprehension to the effect that it amounted to a reduction of postage rates on those classes of matter when so mailed. This is erroneous. The provision contemplated that the rate should remain exactly the same.

I now renew my recommendation of last year that Congress be asked to authorize such a provision. Suitable regulations can be framed which will assure to the Government the proper collection and safe accounting for the full revenue under such authority. The business interests, I believe, demand such a concession. A great economy will be effected. The Department will save the expense of manufacturing stamps, the sale of them to the public, and the labor of canceling them on the individual pieces in the post-offices when mailed. On the other side, the public will save the labor of buying and attaching postage stamps to individual pieces.

REMITTANCES OF MONEY IN THE MAILS.

The practice of the public of using postage stamps for remittances in the mails has grown to enormous proportions. The result is that the Department loses heavily in several ways, but especially because the sales of stamps by postmasters, for that purpose, at the smaller post-offices increases their compensation wrongfully, and imposes upon post-offices in the large cities to which such remittances are generally made, the labor of handling vast quantities of matter the revenues from which are derived by the selling post-offices. It encourages trafficking in postage stamps and this encourages the robbery of post-offices. Many plans have been proposed for obviating this evil, but none which have come to my attention and into which I have examined equal in simplicity, effectiveness, and efficiency the "post-check" proposition. With such a simple and safe means of making remittances, merchants would soon be compelled to refuse postage stamps as currency; and they would then lose their value for that purpose. I recommend this subject to your favorable consideration, and trust that you may deem it proper to ask that this system of transmitting money in the mails be authorized at least in an experimental way.

NUMBER OF PIECES OF MATTER MAILED DURING THE YEAR.

The following table shows the estimated number of pieces of matter of the several classes mailed throughout this country and to foreign countries during the year:

First-class matter:	Number of pieces.
Paid	4,109,700,174
On official business, free	153,233,503
Total paid and free	4,262,933,677
Postal cards	770,657,590

	Number of pieces.
Second-class matter:	
Mailed at the pound rate	2,089,105,644
Mailed free within county of publication	363,058,840
Mailed for local delivery by carriers, with stamps affixed	27,158,373
Transient second-class matter	136,362,757
Total second-class matter	2,615,685,614
Third-class matter:	
Books, pamphlets, circulars, and miscellaneous printed matter	1,053,637,057
Fourth-class matter:	
Merchandise, etc. (including seeds, scions, bulbs, etc., at third-class rate)	93,380,005
Matter to foreign countries:	
First-class matter	60,001,332
All other matter	31,171,413
Total to foreign countries	91,172,745
Grand total	8,887,467,048

NOTE.—The above estimate of first-class matter (except postal cards), second and third class matter, and matter to foreign countries is based upon the count and weighing of 1890 (Postmaster-General's report for 1890, pp. 51–52), increased at the rate per cent of increase of revenue from the sale of postage stamps and other stamped paper (120.9 per cent).

The number of pieces of second-class matter mailed at the pound rate, and free in the counties of publication, is based upon the actual weight of such matter mailed during the year, increased at the estimated number of pieces per pound (4.1 for the former and 10 for the latter) shown by the count and weighing of 1890.

The number of newspapers and periodicals mailed for local delivery by carriers, with stamps affixed, is estimated upon the ratio of the weight of that matter to the weight of second-class matter paid at the pound rate (1.3 per cent) shown by the count and weighing of 1890.

The number of pieces of transient second-class matter is estimated upon the ratio of the weight of that matter to all other second-class matter (5.5 per cent) shown by the count and weighing of 1890.

DIVISION OF FILES AND RECORDS.

The total number of letters and parcels received, opened, and examined in this division during the year was 2,073,300. Of these letters and parcels, 454 contained money and 18,659 contained postage stamps, stamped envelopes, and postal cards transmitted by postmasters for redemption or credit in their accounts.

The number of registered letters and parcels received was 22,185.

Of the letters received, 25,783 were briefed, recorded in the indexes, and filed after final action upon them.

The number of outgoing letters copied, indexed, and mailed was 50,983.

OFFICE OF CHIEF CLERK.

NEW CONTRACTS.

DEPARTMENTAL ENVELOPES.

Under the requirements of the ninety-sixth section of the act of Congress of January 12, 1895, and in accordance with an advertisement dated March 6, 1903, sealed proposals were invited for furnishing such envelopes to the several Executive Departments of the Government as they might require during the fiscal year ending June 30, 1904.

Eight bids were received, and opened on May 4, 1903, the date set for that purpose, and contracts were awarded and duly entered into with the following bidders for furnishing these envelopes during the year named, as follows:

The United States Envelope Company, of Springfield, Mass.: For a portion of the white envelopes, all of the cream-laid and azure blue envelopes, and a portion of the manila envelopes.

Wolf Brothers, Philadelphia, Pa.: For a portion of the manila envelopes.

Union Envelope Company, Richmond, Va.: For a portion of the white and manila envelopes.

R. Carter Ballantyne, Washington, D. C.: For a portion of the white, all of the cloth-lined, and a portion of the miscellaneous envelopes.

R. P. Andrews & Co., Washington, D. C.: For a portion of the manila and a portion of the miscellaneous envelopes.

William H. Rupp Company, Washington, D. C.: For a portion of the miscellaneous envelopes.

John C. Parker, Washington, D. C.: For a portion of the miscellaneous envelopes.

There was an increase of competition over the previous year on white and manila envelopes, and a decrease in competition on the cream-laid, azure blue, and cloth-lined.

Contracts for miscellaneous envelopes were awarded to the lowest bidders upon the particular kinds of envelopes named in the specifications and to the lowest bidders upon envelopes which were offered as being "equal thereto" when in the judgment of the committee, price and quality considered, such envelopes were deemed to be equal to the particular kind named in the specifications.

REGISTERED PACKAGE, TAG, OFFICIAL, AND DEAD-LETTER ENVELOPES.

Under an advertisement dated June 5, 1903, inviting sealed proposals for furnishing to the Post-Office Department registered package, tag, official, and dead-letter envelopes during the period of one year, beginning October 1, 1903, the following bids were received:

Name of bidder.	Total for the year.
Clarence Wolf, of Philadelphia, Pa	$175,990.00
The Hartford Manufacturing Co., of Hartford, Conn	170,603.50

The Hartford Manufacturing Company being the lowest bidder in the aggregate, the contract was awarded to it and duly entered into.

* * * * * * *

CONCLUSION.

In conclusion, I wish to commend the officers, clerks, and others of this Bureau who have contributed to the results accomplished during the year covered by this report in the close attention given to, and the painstaking discharge of, their official duties.

Very respectfully,

EDWIN C. MADDEN,
Third Assistant Postmaster-General.

Hon. HENRY C. PAYNE,
Postmaster-General.

REPORT OF THE FOURTH ASSISTANT POSTMASTER-GENERAL.

POST-OFFICE DEPARTMENT,
OFFICE FOURTH ASSISTANT POSTMASTER-GENERAL,
Washington, D. C., November 28, 1903.

SIR: I have the honor to invite your attention to the following statement of the operations of this Bureau for the fiscal year ended June 30, 1903.

The work of the Bureau has been greatly increased by the assignment to it of the division of free delivery. The free delivery is expanding more rapidly than any other branch of the postal service. Its growth during the fiscal year has been greater than at any other time since free delivery was established. It presents a great many problems for careful consideration, as the expenditures, when once authorized, become practically permanent; because free delivery, after being put in operation, can not be easily withdrawn. The estimated expenditure for the fiscal year beginning July 1, 1904, for both city and rural free delivery, will aggregate about $47,000,000, an amount equal to that expended for the maintenance of the entire postal service in the year 1884.

The work of the division of appointments was lighter than during the preceding fiscal year. That of the division of bonds and commissions is up to date and in satisfactory condition. The work required of the division of post-office inspectors and mail depredations has been greatly increased because of the investigation of a number of the departmental divisions.

The work of the various divisions is set forth in detail under the respective heads.

THE DIVISION OF APPOINTMENTS.

The work of this division relates to the appointment of postmasters, establishment and discontinuance of post-offices, deaths and resignations of postmasters, changes in post-office names and sites, and complaints and charges against postmasters.

All papers pertaining to the appointment of postmasters are briefed and filed in this division and prepared for the consideration of the Fourth Assistant Postmaster-General, the Postmaster-General, and the President.

APPOINTMENT OF POSTMASTERS.

The total number of appointments for the fiscal year ended June 30, 1902, was 16,970, while for the fiscal year ended June 30, 1903, there were but 15,061, a decrease of 1,909. This decrease was due to there having been a smaller number of expirations of commissions of Presidential postmasters and the policy of the Department in discouraging changes in fourth-class post-offices except for cause. During the fiscal

year 1902 the commissions of 1,892 Presidential postmasters expired, while during the fiscal year 1903 there were but 883 expirations. The record shows a decrease in the number of removals of postmasters for cause.

For convenience the division of appointments is divided into sections of two or more States, with a clerk in charge of each section. These section clerks are under the supervision of the chief of the division. Books of record are kept showing, by States, the names of post-offices, alphabetically arranged, and the names of postmasters, together with the dates of their appointment and the dates upon which they are commissioned. These records also show the names of all the postmasters who have served at a given place for a number of years past. In addition to these record books a separate record of Presidential post-offices is kept by the card system, in alphabetical order, by States.

A journal is kept by the chief of the division containing a daily record of all changes of postmasters, showing the county and State in which the post-office is located, the name of the retiring postmaster, the name of the appointee, and the reason for the change; also a record of the establishment and discontinuance of post-offices and changes of names and sites. A condensed weekly report is made from this daily journal which shows the operations of the division, by States, together with the whole number of post-offices in the United States at the end of each week.

In the preparation of papers in the appointment division, post-offices are divided into two general classes—Presidential and fourth-class.

A Presidential office is an office where the salary of the postmaster amounts to not less than $250 per quarter for four consecutive quarters, and the gross receipts for the same time amount to $1,900. When an office has paid the above amount for four consecutive quarters, and the gross receipts have amounted to $1,900 or more, it is then advanced to the Presidential class.

Presidential offices are divided into three classes—first, second, and third. A first-class office is one in which the gross receipts are over $40,000 per annum, the salary of the postmaster of the same being from $3,000 to $6,000. A second-class office is one where the gross receipts amount to $8,000 and not exceeding $40,000 per annum, the salary of the postmasters of this class being from $2,000 to $2,900 per annum. A third-class office is one where the gross receipts are $1,900 and not exceeding $8,000 per annum, the salary of the postmaster being from $1,000 to $1,900 per annum.

Fourth-class offices comprise all offices where the receipts are less than $1,900 per annum, or where the compensation of the postmaster does not amount to $250 per quarter for four consecutive quarters. Fourth-class offices are divided into two kinds—money order and non-money-order. A money-order office is one where money orders are sold in sums not exceeding $100.

Fourth-class postmasters are allowed as compensation the whole of the box rents collected at their offices, and commissions on cancellations of matter actually mailed at their offices, and on amounts received from waste paper, etc., sold, as follows: On the first $50 or less per quarter, 100 per cent; on the next $100 or less per quarter, 60 per cent; on the next $200 or less per quarter, 50 per cent; and on all the balance, 40

per cent, the same to be ascertained and allowed by the Auditor for the Post-Office Department in the settlement of the accounts of such postmasters upon their sworn quarterly returns.

Presidential postmasters are appointed by the President and confirmed by the Senate. Papers in Presidential cases are prepared in the division of appointments and submitted to the Fourth Assistant Postmaster-General, and by him to the Postmaster-General, who in turn submits them to the President with whatever recommendation he may have to make. When the Senate is in session the President sends the names of Presidential postmasters to the Senate for consideration. When these nominations by the President are confirmed by the Senate, notice of appointment is mailed from the division of bonds and commissions to the appointees.

After the bond of the newly appointed postmaster is filed and approved a commission is issued. The commission dates from the date of confirmation, and is for a term of four years. When the Senate is not in session a vacation appointment may be made. In vacation appointments cases are prepared for the consideration of the Postmaster-General and the President in the same way as above stated. The President signs the appointment of the postmaster, notice and blank bond are immediately forwarded him, and upon the approval of the bond he is commissioned. This commission holds until the adjournment of the first session of the Senate following the postmaster's appointment, or until his successor is nominated and confirmed by the Senate, unless said commission be sooner revoked by the President.

When the Senate meets, the President nominates postmasters for all vacancies that have occurred during the recess of the Senate. He may nominate the postmaster appointed in vacation or some other candidate, if he prefers. Upon the confirmation of any postmaster by the Senate the commission of the postmaster appointed for the vacation terminates, and upon the filing of a bond the postmaster is commissioned for a term of four years from the date of his confirmation.

Fourth-class postmasters are appointed by the Postmaster-General. This class of cases is prepared in the division of appointments and submitted by the chief of the division to the Fourth Assistant Postmaster-General, who initials the jackets authorizing the appointment of postmasters. Notice of appointment and blank bond are sent out by the division of bonds and commissions to the appointee, and upon the approval of the bond a commission is issued, signed by the Postmaster-General, dating from the date upon which the commission is issued.

ESTABLISHMENT OF POST-OFFICES.

It is the policy of this Bureau to establish a post-office wherever one is desired, if it is shown that it will accommodate a reasonable number of people, the practice of the Department being to give the people the most convenient mail facilities possible. It is believed that such a policy contributes to popular intelligence and good citizenship. When a substantial request is made for a new post-office, blanks covering the necessary inquiries are forwarded to the petitioners. When these papers are returned the petitioners are advised of the decision of the Department, and if establishment is deemed inadvisable the reasons are given.

The record of establishments during the last six fiscal years is as follows: 1897, 1,601; 1898, 3,601; 1899, 2,935; 1900, 3,600; 1901, 3,294; 1902, 3,038; 1903, 2,707.

DISCONTINUANCE OF POST-OFFICES.

In case a post-office ceases to be a public necessity, or it is impossible to secure a suitable postmaster, it is discontinued. However, where the discontinuance of a post-office is contemplated on account of the death or resignation of the postmaster and failure to obtain a suitable candidate, a public notice is posted upon the door of the post-office for fifteen days notifying the patrons that unless the name of a suitable candidate is presented the office will be discontinued on a certain date. If, in the meantime, the people petition for its continuance and recommend a desirable person for postmaster, he is appointed and the office is continued.

During the fiscal year there was an increase of 403 discontinuances over the preceding fiscal year. The principal causes for the increase in the number of post-offices discontinued have been the extension of the rural free-delivery service, the extension of city-delivery service so as to include offices adjacent to large Presidential offices, and the improvement of the public highways.

The extension of rural free delivery has resulted in the discontinuance of 2,163 post-offices during the year, the salaries of postmasters at said offices aggregating $121,332.

PRIVATE POST-OFFICES.

The usual diligence has been exercised in the suppression of private post-offices. Wherever it is found that a post-office is conducted for the sole benefit of some corporation, factory, nursery company, patent-medicine firm, or other private business institution, it is discontinued. Such company or corporation usually has some one connected with it appointed postmaster, and the firm receives the benefit of the cancellations or the salary and allowances of the postmaster. To permit such post-offices to exist not only greatly reduces the revenues of the Department, but may be fruitful of fraud, and is, in the judgment of this Bureau, very much against public policy. In some instances these corporations or business institutions derived thousands of dollars of revenue from the Government which virtually amounted to a commission or discount on their postal business.

Many such offices were discontinued during the year and the establishment of others refused.

RESIGNATIONS, REMOVALS, AND DEATHS OF POSTMASTERS.

Upon receiving notice of the death of a postmaster, a record of the same is made and the division of bonds and commissions is notified, which division then notifies the sureties that they are required to take possession of the office and appoint an acting postmaster, to serve until a successor to the deceased postmaster may be appointed. When the resignation of a postmaster is received it is filed, and steps are at

once taken to secure a successor. Following is a summary of the resignations, removals, and deaths of postmasters during the fiscal year 1903:

	Presidential.	Fourth class.	Total.
Resignations	67	8,277	8,344
Removals	41	1,368	1,409
Deaths	86	713	799

CHANGES IN NAMES AND SITES.

In the naming of post-offices it is the policy of the Bureau to give plain, simple names of a single word. This rule, however, is frequently interfered with by local conditions. A sentiment emanating from some historical incident, or business interests of the locality, may create in the minds of the people a desire for a special name that does not conform to the rule, and in deference to this sentiment or interest the Bureau often finds it necessary to make exceptions to the rule.

In numerous instances a post-office bears a different name from that of the village or community where it is located. Such a condition always causes more or less confusion in the delivery of the mails, and this Bureau endeavors to bring about such changes as will make the names uniform. Considerable difficulty has been experienced in the West in connection with the opening up of new country, the building of railroads, and the location of town sites. In some cases a railroad or town-site company will locate a town and incorporate it under a certain name without reference to the Post-Office Department to ascertain whether it will be practicable to give the post-office the same name. The managers of some of the railroads, however, before naming a new station, inquire of the Department whether certain names will be approved for post-offices in the State in which the station is to be located.

In the changing of the sites of fourth-class post-offices the greatest convenience to the largest number of patrons is considered. In many cases bitter controversies arise over the location of a post-office, and it is found necessary to detail an inspector to make an investigation of the matter in person.

COMPLAINTS AGAINST POSTMASTERS.

The number of complaints against postmasters has been about the same during the fiscal year as in former years. Whenever it appears from their nature that they are worthy of consideration careful attention is given the same, and if the gravity of the case warrants it is referred to an inspector for investigation. When a postmaster violates the postal laws and regulations, and the offense does not seem of sufficient gravity to warrant his removal from office, an official reprimand is forwarded to the postmaster, a copy of which is filed with the division of appointments against his record.

The following tables and explanatory notes in connection therewith give a comprehensive idea of the work done in the appointment division for the fiscal year.

OPERATIONS OF THE DIVISION OF APPOINTMENTS.

Post-offices established, discontinued, advanced to Presidential grade, relegated to fourth class, total number of offices, etc.

	June 30—		Increase.	Decrease.
	1902	1903		
Post-offices established	3,038	2,707	.....	331
Post-offices discontinued	4,059	4,462	403	.....
Fourth-class offices advanced to Presidential	294	338	44	.....
Presidential offices relegated to fourth class	7	12	5	.....
Number of Presidential offices	4,740	5,039	299	.....
Number of fourth-class offices	71,184	69,130	.....	2,054
Total number of offices	75,924	74,169	.....	1,755

APPOINTMENTS DURING THE YEAR.

Presidential offices:				
On resignations	73	67	.....	6
On deaths	44	86	42	.....
On expiration of terms	1,892	885	.....	1,007
On removals	54	42	.....	12
On offices becoming Presidential	307	280	.....	27
Total number of Presidential appointments during the year	2,370	1,360	42	1,052
Fourth-class offices:				
On resignations	8,660	8,776	116	.....
On deaths	791	758	.....	33
On removals at expiration of four years' service	1,391	977	.....	514
On removals	714	471	.....	243
On offices relegated from Presidential to fourth class	6	12	6	.....
On establishments	3,038	2,707	.....	331
Total number of fourth-class appointments	14,600	13,701	122	1,121
Total number of appointments	16,970	15,061	.....	.....

ESTABLISHMENTS, DISCONTINUANCES, AND CHANGES OF NAMES AND SITES.

Total number of post-offices established during the year	2,707
Total number of post-offices discontinued during the year	4,462
Total number of names and sites changed	2,714

TABLE A.—*Showing number of appointments at Presidential offices during the year, by States and Territories.*

States and Territories.	Resigned.	Commissions expired.	Removal.	Deceased.	Offices become Presidential.	Total number of cases.
Alabama	1	4			4	9
Alaska					1	1
Arizona		5		1	2	8
Arkansas	1	1		1	3	6
California	1	32	1	1	6	41
Colorado	3	5	1	1	2	12
Connecticut		32		3	2	37
Delaware		5				5
District of Columbia						
Florida	1	6		1	1	9
Georgia	1	7	1	1	12	22
Idaho	1	4			5	10
Illinois	4	44	2	5	11	66
Indiana	6	17	1	3	8	35
Indian Territory		5	1	1	5	12
Iowa	7	49	3	4	14	77
Kansas	2	25	1	3	11	42
Kentucky		10			3	13
Louisiana		10	1	2	6	19
Maine	1	11				12
Maryland		13	1	1	3	18
Massachusetts		34	1	6	2	43
Michigan	1	42	2	3	12	60
Minnesota	3	28	1	5	12	49
Mississippi		3	3	3	2	11
Missouri	1	25		1	7	34
Montana	1	2	1		7	11
Nebraska	5	13	2	9	6	35
Nevada		1			2	3
New Hampshire	1	4				5
New Jersey	1	16	2	4	6	29
New Mexico	1				1	2
New York	2	107	3	7	12	131
North Carolina	2	13		1	6	22
North Dakota	1	6	2	1	7	17
Ohio	5	51		4	15	75
Oklahoma		3	3		9	15
Oregon		12			7	19
Pennsylvania	6	102	1	3	19	131
Rhode Island		7	1			8
South Carolina		12	1		4	17
South Dakota	1	9		1	1	12
Tennessee		6		2	3	11
Texas	3	31	1	3	16	54
Utah		1			2	3
Vermont		10			1	11
Virginia	1	7	2	3	1	14
Washington		6	1		2	9
West Virginia		7	1	2	4	14
Wisconsin	1	41	1		14	57
Wyoming	1	1			1	3
Hawaii	1					1
Total	67	885	42	86	280	1,360

TABLE B.—*Showing the number of fourth-class appointments, establishments, and discontinuances, by States and Territories.*

States and Territories.	Resignations.	Removals at expiration of four years.	Removals.	Deaths.	Relegated from Presidential.	Established.	Discontinued.	Total number of cases.
Alabama	334	36	14	34	.....	98	151	667
Alaska	16	.....	2	1	.....	21	7	47
Arizona	48	6	4	.....	.....	24	12	94
Arkansas	357	31	25	28	.....	75	75	591
California	215	20	2	13	.....	49	72	371
Colorado	111	12	14	6	(1)	34	36	213
Connecticut	19	4	1	11	.....	1	8	44
Delaware	6	.....	.....	4	.....	3	10	23
District of Columbia	1	.....	.....	.....	.....	.....	4	5
Florida	188	15	11	13	.....	76	56	359
Georgia	325	20	22	29	(2)	108	283	787
Idaho	84	5	6	1	.....	36	20	152
Illinois	259	27	9	17	(2)	34	149	495
Indiana	218	18	9	15	.....	20	157	437
Indian Territory	160	14	10	6	.....	82	21	293
Iowa	194	22	6	15	.....	24	118	379
Kansas	199	22	10	13	.....	30	76	350
Kentucky	448	38	22	40	.....	134	129	811
Louisiana	180	23	9	27	.....	75	49	363
Maine	83	7	.....	14	.....	12	60	176
Maryland	69	22	6	11	.....	25	67	200
Massachusetts	38	7	4	7	(1)	4	19	79
Michigan	216	24	8	17	.....	43	133	441
Minnesota	194	19	7	9	.....	69	131	429
Mississippi	260	31	16	22	.....	133	110	572
Missouri	479	38	18	23	.....	79	157	794
Montana	87	9	9	7	.....	51	32	195
Nebraska	116	6	10	5	.....	19	48	204
Nevada	25	2	.....	3	.....	7	13	50
New Hampshire	31	5	1	8	.....	1	18	64
New Jersey	54	16	2	14	.....	15	22	123
New Mexico	78	7	2	2	.....	34	18	141
New York	169	56	11	31	(1)	34	181	482
North Carolina	268	75	28	38	.....	116	235	760
North Dakota	121	11	5	9	.....	85	49	280
Ohio	266	35	13	26	(1)	29	215	584
Oklahoma	197	9	23	3	(1)	108	58	398
Oregon	144	10	5	5	.....	34	57	255
Pennsylvania	425	52	28	43	.....	91	221	860
Rhode Island	6	2	1	1	.....	4	8	22
South Carolina	90	16	5	16	.....	39	128	294
South Dakota	95	9	2	6	.....	20	43	175
Tennessee	292	37	17	24	(1)	77	368	815
Texas	550	34	21	28	.....	224	156	1,013
Utah	52	1	1	2	.....	11	21	88
Vermont	45	8	2	6	.....	2	15	78
Virginia	313	54	14	50	.....	137	161	729
Washington	144	14	7	7	(1)	66	41	279
West Virginia	279	28	13	23	.....	116	59	518
Wisconsin	139	12	6	16	.....	41	125	339
Wyoming	68	5	1	5	.....	18	26	123
Hawaii	7	.....	3	1	(1)	6	4	21
Porto Rico	13	3	6	3	.....	3	3	31
Midway Island	1	.....	.....	.....	.....	.....	.....	1
Tutuila (Samoa)	.....	.....	.....	.....	.....	.....	.....	.....
Guam	.....	.....	.....	.....	.....	.....	.....	.....
Total	8,776	977	471	758	(12)	2,707	4,435	18,124

TABLE C.—*Number of Presidential offices in the United States, by classes, showing increase or decrease as compared with previous year.*

States and Territories.	First class.	Second class.	Third class.	June 30—		Increase.	Decrease.	Consolidated and discontinued.
				1903.	1902.			
Alabama	3	8	44	55	49	6		
Alaska			4	4	4			
Arizona		4	17	21	19	2		
Arkansas	1	9	50	60	55	5		
California	7	33	112	152	143	9		1
Colorado	3	20	34	57	53	4		
Connecticut	9	19	61	89	85	4		
Delaware	1	1	13	15	14	1		
District of Columbia	1			1	2		1	1
Florida	1	11	28	40	39	1		
Georgia	4	15	61	80	68	12		
Idaho		5	25	30	24	6		
Illinois	15	69	230	314	301	13		
Indiana	12	54	119	185	176	9		
Indian Territory		4	35	39	31	8		
Iowa	11	48	226	285	265	20		
Kansas	4	30	127	161	151	10		
Kentucky	4	15	58	77	74	3		
Louisiana	2	6	35	43	38	5		
Maine	4	16	52	72	71	1		
Maryland	1	8	29	38	34	4		
Massachusetts	19	64	94	177	182		5	8
Michigan	11	53	169	233	216	17		
Minnesota	4	19	146	169	154	15		
Mississippi		10	51	61	57	4		
Missouri	4	32	134	170	163	7		
Montana	2	7	24	33	29	4		
Nebraska	3	12	111	126	120	6		
Nevada		1	11	12	10	2		
New Hampshire	2	16	36	54	52	2		
New Jersey	15	45	65	125	121	1		5
New Mexico		4	10	14	14			2
New York	26	111	255	392	380	12		1
North Carolina	4	11	59	74	63	11		
North Dakota	1	6	44	51	42	9		
Ohio	14	69	178	261	248	13		5
Oklahoma	1	10	36	47	36	11		
Oregon	1	8	33	42	37	5		
Pennsylvania	16	104	240	360	344	16		3
Rhode Island	3	5	15	23	23			
South Carolina	2	5	32	39	38	1		
South Dakota	1	9	49	59	56	3		
Tennessee	4	7	52	63	61	2		
Texas	8	32	157	197	181	16		
Utah	1	3	13	17	16	1		
Vermont	1	10	36	47	46	1		
Virginia	4	15	53	72	69	3		
Washington	3	10	43	56	52	4		
West Virginia	3	11	44	58	53	5		
Wisconsin	5	36	124	165	154	11		1
Wyoming		4	12	16	15	1		
Hawaii	1	1	2	4	5		1	
Porto Rico		2	2	4	4			
Total	242	1,107	3,690	5,039	4,740	306	7	27

Since June 30, 1897, when there were 3,762 Presidential post-offices, there has been an increase of 1,277 offices of this class, or 33.9 per cent.

TABLE D.—*Number of fourth-class offices in the United States showing money order and nonmoney order; also showing number established, discontinued, and the increase or decrease in fourth-class post-offices as compared with previous year.*

States and Territories.	Money order.	Nonmoney order.	Total fourth class.	Increase over 1902.	Decrease over 1902.	Established.	Discontinued.	Advanced to Presidential.	Relegated.
Alabama	683	1,812	2,495	.....	59	98	151	6	.....
Alaska	21	76	97	14	.....	21	7	.....	.....
Arizona	89	147	236	10	.....	24	12	2	.....
Arkansas	500	1,477	1,977	.....	5	75	75	5	.....
California	847	659	1,506	.....	34	49	72	10	.....
Colorado	342	353	695	.....	6	34	36	5	1
Connecticut	282	75	357	.....	11	1	8	4	.....
Delaware	57	60	117	.....	8	3	10	1	.....
District of Columbia	.....	.....	.....	.....	4	.....	4	.....	.....
Florida	418	723	1,141	19	.....	76	56	1	.....
Georgia	671	1,723	2,394	.....	187	108	283	14	2
Idaho	163	308	471	10	.....	36	20	6	.....
Illinois	1,159	874	2,033	.....	128	34	149	15	2
Indiana	831	846	1,677	.....	146	20	157	9	.....
Indian Territory	166	463	629	53	.....	82	21	8	.....
Iowa	1,003	345	1,348	.....	114	24	118	20	.....
Kansas	764	550	1,314	.....	56	30	76	10	.....
Kentucky	607	2,585	3,192	2	.....	134	129	3	.....
Louisiana	366	905	1,271	21	.....	75	49	5	.....
Maine	455	639	1,094	.....	49	12	60	1	.....
Maryland	307	675	982	.....	46	25	67	4	.....
Massachusetts	432	181	613	.....	21	4	19	4	1
Michigan	810	886	1,696	.....	107	43	133	17	.....
Minnesota	640	777	1,417	.....	77	69	131	15	.....
Mississippi	393	1,733	2,126	19	.....	133	110	4	.....
Missouri	1,192	1,451	2,643	.....	85	79	157	7	.....
Montana	169	344	513	15	.....	51	32	4	.....
Nebraska	491	385	876	.....	35	19	48	6	.....
Nevada	47	127	174	.....	8	7	13	2	.....
New Hampshire	248	225	473	.....	19	1	18	2	.....
New Jersey	403	347	750	.....	17	15	22	6	.....
New Mexico	109	264	373	14	.....	34	18	1	.....
New York	1,587	1,340	2,927	.....	161	34	181	15	1
North Carolina	468	2,540	3,008	.....	130	116	235	11	.....
North Dakota	244	473	717	27	.....	85	49	9	.....
Ohio	1,265	1,394	2,659	.....	204	29	215	19	1
Oklahoma	246	570	816	39	.....	108	58	12	1
Oregon	334	494	828	.....	28	34	57	5	.....
Pennsylvania	2,379	2,173	4,552	.....	149	91	221	19	.....
Rhode Island	75	39	114	.....	4	4	8	.....	.....
South Carolina	273	934	1,207	.....	90	39	128	1	.....
South Dakota	252	338	590	.....	26	20	43	3	.....
Tennessee	495	1,919	2,414	.....	293	77	368	3	1
Texas	1,087	2,029	3,116	52	.....	224	156	16	.....
Utah	126	187	313	.....	11	11	21	1	.....
Vermont	290	196	486	.....	14	2	15	1	.....
Virginia	764	2,886	3,650	.....	27	137	161	3	.....
Washington	363	526	889	21	.....	66	41	5	1
West Virginia	356	1,816	2,172	82	.....	146	59	5	.....
Wisconsin	710	800	1,510	.....	96	41	125	12	.....
Wyoming	92	223	315	.....	9	18	26	1	.....
Hawaii	53	34	87	2	.....	6	4	.....	1
Porto Rico	28	49	77	.....	.....	3	3	.....	.....
Tutuila (Samoa)	1	.....	1	.....	.....	.....	.....	.....	.....
Guam	1	.....	1	.....	.....	.....	.....	.....	.....
Midway Island	.....	1	1	1	.....	1	.....	.....	.....
Total	26,154	42,976	69,130	401	2,464	2,707	4,435	338	12

The following table (E), with its comparisons, shows the number of Presidential post-offices in the various States and Territories and their numerical rank in the list, beginning with New York, the highest, and closing with the District of Columbia, the lowest. It also shows the estimated population of the States and Territories and the numerical rank of the same, and a comparison of rank in Presidential post-offices and in population. The number of Presidential post-offices in a State may be safely regarded as an index of the industry and commercial activity of its people. The number of fourth-class post-offices may be

largely controlled by local circumstances. The character of the country roads in a State or Territory greatly influences the necessity for numerous post-offices for the convenience of the people in receiving their mails, and other similar circumstances may increase or decrease the number of fourth-class post-offices, but the number of Presidential offices is fixed largely by the amount of business done by the people.

TABLE E.—*Comparative statement showing the number of Presidential post-offices, by States and Territories, and the rank of each State; also the estimated population of States and their rank.*

States and Territories.	Presidential post-offices.	Rank in number of Presidential post-offices.	Estimated population.	Rank in population.
New York	392	1	7,729,014	1
Pennsylvania	360	2	6,678,351	2
Illinois	314	3	5,197,630	3
Iowa	285	4	2,343,668	11
Ohio	261	5	4,322,183	4
Michigan	233	6	2,534,283	9
Texas	197	7	3,381,629	5
Indiana	185	8	2,628,192	8
Massachusetts	177	9	3,018,271	7
Missouri	170	10	3,255,784	6
Minnesota	169	11	1,928,985	18
Wisconsin	165	12	2,207,460	13
Kansas	161	13	1,483,288	22
California	152	14	1,586,185	21
Nebraska	126	15	1,088,692	27
New Jersey	125	16	2,055,459	15
Connecticut	89	17	967,558	29
Georgia	80	18	2,353,300	10
Kentucky	77	19	2,247,017	12
North Carolina	74	20	1,990,962	16
Maine	72	21	704,882	31
Virginia	72	22	1,920,934	19
Tennessee	63	23	2,107,300	14
Mississippi	61	24	1,615,732	20
Arkansas	60	25	1,376,689	25
South Dakota	59	26	421,809	41
West Virginia	58	27	1,032,723	28
Colorado	57	28	589,406	34
Washington	56	29	590,378	33
Alabama	55	30	1,943,356	17
New Hampshire	54	31	423,071	40
North Dakota	51	32	387,028	42
Oklahoma	47	33	700,000	32
Vermont	47	34	347,146	43
Louisiana	43	35	1,479,029	23
Oregon	42	36	451,498	38
Florida	40	37	584,038	35
Indian Territory	39	38	500,000	36
South Carolina	39	39	1,406,259	24
Maryland	38	40	1,237,941	26
Montana	33	41	298,224	45
Idaho	30	42	204,770	48
Rhode Island	23	43	459,402	37
Arizona	21	44	148,008	51
Utah	17	45	303,482	44
Wyoming	16	46	106,168	52
Delaware	15	47	190,055	49
New Mexico	14	48	209,723	47
Nevada	12	49	43,744	39
Alaska	4	50	75,000	53
Hawaii	4	51	154,000	50
Porto Rico	4	52	953,243	30
District of Columbia	1	53	296,277	46

TABLE F.—*Showing total number of fourth-class post-offices, by States and Territories, in numerical order and the average compensation of fourth-class postmasters.*

States and Territories.	Fourth-class offices.	Average compensation of fourth-class postmasters.	Rank in number of fourth-class offices.	Rank in compensation of fourth-class postmasters.
Pennsylvania	4,552	$214.13	1	28
Virginia	3,650	125.23	2	48
Kentucky	3,192	107.93	3	53
Texas	3,116	175.26	4	37
North Carolina	3,008	103.94	5	54
New York	2,927	273.36	6	12
Ohio	2,659	221.95	7	25
Missouri	2,643	179.80	8	34
Alabama	2,495	120.28	9	50
Tennessee	2,414	115.55	10	51
Georgia	2,394	134.26	11	45
West Virginia	2,172	130.79	12	46
Mississippi	2,126	122.57	13	49
Illinois	2,033	284.30	14	11
Arkansas	1,977	130.47	15	47
Michigan	1,696	245.72	16	16
Indiana	1,677	217.96	17	26
Wisconsin	1,510	238.48	18	19
California	1,506	239.60	19	18
Minnesota	1,417	243.40	20	17
Iowa	1,348	332.32	21	6
Kansas	1,314	261.94	22	15
Louisiana	1,271	161.40	23	41
South Carolina	1,207	136.79	24	44
Florida	1,141	158.01	25	43
Maine	1,094	231.84	26	22
Maryland	982	186.02	27	31
Washington	889	203.00	28	29
Nebraska	876	301.75	29	9
Oregon	828	176.09	30	36
Oklahoma	816	191.26	31	30
New Jersey	750	287.53	32	10
North Dakota	717	214.62	33	27
Colorado	695	235.54	34	20
Indian Territory	629	182.94	35	32
Massachusetts	613	373.01	36	3
South Dakota	590	234.58	37	21
Montana	513	163.10	38	40
Vermont	486	272.13	39	14
New Hampshire	473	272.66	40	13
Idaho	471	178.35	41	35
New Mexico	373	160.90	42	42
Connecticut	357	353.47	43	5
Wyoming	315	163.62	44	39
Utah	313	224.28	45	23
Arizona	236	182.06	46	33
Nevada	174	165.78	47	38
Delaware	117	223.22	48	24
Rhode Island	114	367.08	49	4
Alaska	97	109.30	50	52
Hawaii	87	317.97	51	7
Porto Rico	77	304.34	52	8
Tutuila (Samoa)	1	457.67	53	1
Guam	1	424.84	54	2

TABLE G.—*Showing the gross receipts of post-offices, by States and Territories, arranged in order of rank in amount expended per capita in use of the mails; also the whole number of post-offices, by States and Territories, and their respective ranks.*

States and Territories.	Gross receipts at post-offices.	Average amount expended per capita.	Rank of States in expenditure per capita.	Whole number of post-offices.	Rank in number of post-offices.
New York	$23,082,129.50	$2.98	1	3,319	3
District of Columbia	871,684.88	2.94	2	1	53
Nevada	117,240.52	2.68	3	186	47
Illinois	13,696,094.92	2.63	4	2,347	12
Colorado	1,470,251.55	2.49	5	752	35
Massachusetts	7,542,066.92	2.49	6	790	33
California	3,852,145.23	2.42	7	1,658	19
Connecticut	1,988,154.10	2.05	8	446	42
Washington	1,170,994.35	1.98	9	945	29
Maine	1,320,966.14	1.87	10	1,166	26
Vermont	648,687.17	1.87	11	533	39
Missouri	6,071,035.60	1.86	12	2,813	8
Rhode Island	827,723.79	1.80	13	137	48
Ohio	7,764,062.61	1.79	14	2,920	7
Minnesota	3,379,279.21	1.75	15	1,586	21
Pennsylvania	11,665,523.27	1.74	16	4,912	1
Oregon	789,738.49	1.74	17	870	31
Montana	514,820.13	1.72	18	546	38
Wyoming	181,811.28	1.71	19	331	44
New Hampshire	713,865.59	1.69	20	527	40
Michigan	4,252,019.76	1.67	21	1,929	16
Nebraska	1,788,513.04	1.64	22	1,002	28
New Jersey	3,367,810.30	1.63	23	875	30
Maryland	1,965,617.46	1.58	24	1,020	27
Idaho	313,991.39	1.53	25	501	41
North Dakota	580,974.38	1.50	26	768	34
Arizona	219,241.70	1.48	27	257	46
Iowa	3,433,713.41	1.46	28	1,633	20
South Dakota	586,392.82	1.39	29	649	37
Wisconsin	3,044,705.84	1.38	30	1,675	18
Utah	413,312.28	1.36	31	330	45
Kansas	1,980,271.77	1.33	32	1,475	22
Indiana	3,342,879.90	1.27	33	1,862	17
Delaware	224,497.09	1.18	34	132	49
Florida	673,857.35	1.15	35	1,181	25
West Virginia	980,493.10	.95	36	2,230	13
New Mexico	198,757.33	.94	37	387	43
Virginia	1,763,579.61	.91	38	3,722	2
Oklahoma	601,430.90	.85	39	863	32
Texas	2,865,256.08	.84	40	3,313	4
Louisiana	1,220,946.06	.82	41	1,314	23
Kentucky	1,812,072.90	.80	42	3,269	5
Tennessee	1,622,903.36	.77	43	2,477	10
Hawaii	117,922.36	.76	44	91	51
Indian Territory	373,358.37	.74	45	668	36
Georgia	1,719,736.46	.73	46	2,474	11
Arkansas	887,352.10	.64	47	2,037	15
North Carolina	1,129,853.20	.56	48	3,082	6
Alabama	1,054,788.80	.54	49	2,550	9
Mississippi	816,622.95	.48	50	2,187	14
Alaska	35,793.08	.47	51	101	50
South Carolina	632,916.07	.45	52	1,246	24
Tutuila (Samoa)	703.19	.12	53	1	55
Porto Rico	91,067.90	.09	54	81	52
Guam	682.19	.07	55	1	54

There is a United States postal agency at Shanghai, China, the gross receipts of which were $8,168.57.

The above table is a fine index of the business transactions of the various States. In this table New York ranks first, with $2.98 per capita expended in the use of the mails, and South Carolina ranks lowest, excluding Porto Rico, Samoa, and Guam, with $0.45 per capita expended in the use of the mails.

TABLE II.—*Total number of cases of all kinds made up and acted upon by the Bureau for the fiscal year ended June 30, 1903.*

States and Territories.	Post-offices.				Fourth-class postmasters.			Presidential cases.					Relegated to fourth class.	Total number of cases.
	Established.	Discontinued.	Names and sites changed.	Appointments on changes of name and site.	Resigned.	Removed.	Deceased.	Resigned.	Commissions expired.	Removal.	Deceased.	Offices become Presidential.		
Alabama	98	151	174	(92)	334	50	34	1	4	....	....	4	....	850
Alaska	21	7	2	(2)	16	2	1	....	....	....	....	1	....	50
Arizona	24	12	9	(6)	48	10	....	....	5	....	1	2	....	111
Arkansas	75	75	139	(86)	357	56	28	1	1	....	1	3	....	736
California	49	73	49	(31)	215	22	13	1	32	1	1	6	....	462
Colorado	34	36	31	(21)	111	26	6	3	5	1	1	2	(1)	256
Connecticut	1	8	4	.....	19	5	11	....	32	....	3	2	....	85
Delaware	3	10	1	.....	6	.....	4	....	5	....	....	....	....	29
District of Columbia	.....	5	.....	.....	1	.....	.....	.....	.....	.....	.....	.....	....	6
Florida	76	56	55	(22)	188	26	13	1	6	....	1	1	....	423
Georgia	108	283	130	(92)	325	42	29	1	7	1	1	12	(2)	939
Idaho	36	20	30	(19)	84	11	1	1	4	.....	.....	5	....	192
Illinois	81	149	38	(8)	259	36	17	4	44	2	5	11	(2)	599
Indiana	20	157	51	(17)	218	27	15	6	17	1	3	8	....	523
Indian Territory	82	21	34	(9)	160	24	6	....	5	1	1	5	....	339
Iowa	24	118	18	(2)	194	28	15	7	49	3	4	14	....	474
Kansas	30	76	50	(33)	199	32	13	2	25	1	3	11	....	442
Kentucky	134	129	117	(42)	448	60	40	....	10	....	....	3	....	941
Louisiana	75	49	61	(27)	180	32	27	....	10	1	2	6	....	443
Maine	12	60	24	(4)	83	7	14	1	11	....	....	....	....	212
Maryland	25	67	16	(7)	69	28	11	....	13	1	1	3	....	234
Massachusetts	4	27	6	(1)	38	11	7	....	34	1	6	2	(1)	136
Michigan	43	133	35	(6)	216	32	17	1	43	2	3	12	....	536
Minnesota	69	131	53	(29)	194	26	9	3	28	1	5	12	....	531
Mississippi	133	110	103	(72)	260	47	22	....	3	3	3	2	....	686
Missouri	79	157	71	(43)	479	56	23	1	25	....	1	7	....	899
Montana	51	32	37	(23)	87	18	7	1	2	1	....	7	....	243
Nebraska	19	48	40	(29)	116	16	5	5	13	2	9	6	....	279
Nevada	7	13	6	(4)	25	2	3	....	1	....	....	2	....	59
New Hampshire	1	18	5	.....	31	6	8	1	4	.....	.....	.....	....	74
New Jersey	15	27	6	.....	54	18	14	1	16	2	4	6	....	163
New Mexico	34	20	19	(4)	78	9	2	1	.....	.....	.....	1	....	164
New York	34	182	65	(3)	169	67	31	2	107	3	7	12	(1)	679
North Carolina	116	235	148	(97)	268	103	38	2	13	....	1	6	....	930
North Dakota	85	49	67	(49)	121	16	9	1	6	2	1	7	....	364
Ohio	29	220	84	(34)	266	48	26	5	51	....	4	15	(1)	748
Oklahoma	108	58	118	(52)	197	32	3	....	3	3	....	9	(1)	531
Oregon	34	57	67	(44)	144	15	5	....	12	.....	.....	7	....	341
Pennsylvania	91	224	146	(64)	425	80	43	6	102	1	3	19	....	1,140
Rhode Island	4	8	2	.....	6	3	1	....	7	1	.....	.....	....	32
South Carolina	39	128	30	(11)	90	21	16	....	12	1	....	4	....	341
South Dakota	20	43	32	(23)	95	11	6	1	9	....	1	1	....	219
Tennessee	77	368	92	(18)	292	54	24	....	6	....	2	3	(1)	918
Texas	224	156	113	(52)	550	55	28	3	31	1	3	16	....	1,180
Utah	11	21	14	(8)	52	2	2	....	1	.....	.....	2	....	105
Vermont	2	15	5	(1)	45	10	6	....	10	.....	.....	1	....	94
Virginia	137	161	94	(41)	313	68	50	1	7	2	3	1	....	837
Washington	66	41	57	(35)	144	21	7	....	6	1	....	2	(1)	345
West Virginia	146	59	105	(57)	279	41	23	....	7	1	2	4	....	667
Wisconsin	41	126	40	(11)	139	18	16	1	41	1	....	14	....	437
Wyoming	18	26	20	(13)	68	6	5	1	1	.....	.....	1	....	146
Hawaii	5	4	.....	.....	8	3	1	1	.....	.....	.....	.....	(1)	22
Porto Rico	3	3	1	.....	13	9	3	....	.....	.....	.....	.....	....	32
Tutuila (Samoa)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Guam	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Midway Island	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1
Total	2,707	4,462	2,714	(1,344)	8,776	1,448	758	67	885	12	86	280	(12)	22,225

Total number of postmasters resigned	8,277
Appointments upon resignation	8,277
Appointments upon resignations where appointees declined or failed to qualify	499
Total number of appointments upon resignation	8,776
Total number of postmasters removed	1,368
Appointments upon removal	1,368
Appointments upon removal where appointees declined or failed to qualify	80
Total number of appointments upon removals	1,448
Total number of postmasters deceased	713
Appointments upon deaths of postmasters	713
Appointments upon deaths of postmasters where appointees declined or failed to qualify	45
Total number of appointments upon deaths of postmasters	758

TABLE I.—*Total number of post-offices in the United States on June 30 of each year since 1790.*

Year.	Number.	Year.	Number.	Year.	Number.	Year.	Number.	Year.	Number.
1790	75	1813		1836	11,091	1859	28,539	1882	46,231
1791	89	1814	2,670	1837	11,767	1860	28,498	1883	46,820
1792	195	1815	3,000	1838	12,519	1861	28,586	1884	48,434
1793	209	1816	3,260	1839	12,780	1862	28,875	1885	51,252
1794	450	1817	3,459	1840	13,468	1863	29,047	1886	53,614
1795	453	1818	3,618	1841	13,778	1864	28,878	1887	55,157
1796	468	1819	4,000	1842	13,733	1865	20,550	1888	57,376
1797	554	1820	4,500	1843	13,814	1866	23,828	1889	58,999
1798	639	1821	4,650	1844	14,103	1867	25,163	1890	62,401
1799	677	1822	4,709	1845	14,183	1868	26,481	1891	64,329
1800	903	1823	4,043	1846	14,601	1869	27,106	1892	67,119
1801	1,025	1824	5,182	1847	15,146	1870	28,492	1893	68,403
1802	1,114	1825	5,677	1848	16,159	1871	30,045	1894	69,805
1803	1,258	1826	6,150	1849	16,749	1872	31,863	1895	70,064
1804	1,405	1827	7,300	1850	18,417	1873	33,244	1896	70,360
1805	1,558	1828	7,530	1851	19,796	1874	34,294	1897	71,022
1806	1,710	1829	8,004	1852	20,901	1875	35,547	1898	73,570
1807	1,848	1830	8,450	1853	22,320	1876	36,383	1899	75,000
1808	1,944	1831	8,686	1854	23,548	1877	37,345	1900	76,688
1809	2,012	1832	9,205	1855	24,410	1878	38,253	1901	76,945
1810	2,300	1833	10,127	1856	25,565	1879	40,588	1902	75,924
1811	2,403	1834	10,693	1857	26,586	1880	42,989	1903	74,169
1812	2,610	1835	10,770	1858	27,977	1881	44,512		

The foregoing table is given as a matter of interesting statistics and shows the gradual increase in the number of post-offices from the establishment of the postal service to 1901. The records of this Bureau fail to give the number of offices in existence in 1813. With the exception of a slight decline in 1842, the table shows a steady increase from 1790 to 1859. Between the years of 1859 and 1870, owing to the disorganized condition of the postal service in the Southern States, caused by the rebellion, the steady advancement in the number of offices was arrested, but from 1870 to 1901 there was a steady and rapid increase in the number of offices established, indicating the rapid progress our country has made, not only in population, but in material strength and power. The decrease in 1902 and 1903 was caused by the extension of the rural free-delivery service as a substitute for many country post-offices.

In the year 1790 there were 75 post-offices in operation. At that time the population of the 13 States which then constituted the Union was 3,929,214, or, for convenience, stating it in round numbers, there were 3,930,000 people, served by 75 post-offices, an average of 1 office to 52,400 people. Since that time the offices have been multiplied almost 1,000 times, while the population has multiplied over 20 times.

The following table shows the population, in round numbers, by decades, since 1790, the number of post-offices in operation for the same years, and the average number of persons to each office:

Year.	Population.	Number of post-offices.	Average number of persons to each office.
1790	3,930,000	75	52,400
1800	5,310,000	903	5,880
1810	7,240,000	2,300	3,148
1820	9,630,000	4,500	2,140
1830	12,870,000	8,450	1,521
1840	17,070,000	13,468	1,267
1850	23,190,000	18,417	1,259
1860	31,640,000	28,498	1,110
1870	38,560,000	28,492	1,353
1880	50,150,000	42,989	1,166
1890	62,620,000	62,401	1,003
1900	76,295,000	76,688	995
1903 [a]	[b] 81,033,000	74,169	1,092

[a] Estimated. [b] Including Hawaii and Porto Rico.

TABLE J.—*Total number of first, second, and third class post-offices (Presidential grade) on June 30 of each year since 1851.*

Year.	Number.	Year.	Number.	Year.	Number.	Year.	Number.	Year.	Number.
1851	215	1862	426	1873	1,363	1884	2,323	1895	3,504
1852		1863	550	1874	1,408	1885	2,233	1896	3,635
1853	255	1864	705	1875	1,547	1886	2,265	1897	3,762
1854	257	1865	712	1876	1,568	1887	2,336	1898	3,816
1855	258	1866	709	1877	1,397	1888	2,502	1899	3,993
1856	339	1867	837	1878	1,579	1889	2,684	1900	4,233
1857	368	1868	849	1879	1,711	1890	2,788	1901	4,466
1858	400	1869	980	1880	1,761	1891	2,942	1902	4,740
1859	417	1870	1,093	1881	1,863	1892	3,156	1903	5,039
1860	433	1871	1,172	1882	1,951	1893	3,369		
1861	434	1872	1,200	1883	2,143	1894	3,428		

THE DIVISION OF BONDS AND COMMISSIONS.

The division of bonds and commissions is intrusted with the custody of all bonds of postmasters, and keeps the records pertaining thereto. It also prepares all commissions of postmasters for the signature of the Postmaster-General and the President, and keeps all records relating to said commissions.

In this division notices of appointment to newly appointed postmasters are prepared and forwarded, with blank bonds and oaths, for execution. A record is kept of the names of all postmasters, with the dates of their appointment and the names of their sureties.

BONDS.

Bonds of all postmasters, after execution, are referred to this division for examination, and if found in proper form they are submitted to the Fourth Assistant Postmaster-General for approval. Upon the approval of the bonds commissions are prepared, and then the bonds are filed alphabetically by States. Questions touching the validity of a bond are reported from this division, and if for any reason the sufficiency of the bond is in doubt, an inspector is directed to examine into its validity and the responsibility of the sureties. The United States statutes provide that postmasters shall furnish new bonds every four years. Upon the death of a surety it is the postmaster's duty to report the same immediately to the Department, and he is required to furnish a new bond.

Upon the establishment of a post-office the person appointed postmaster is required to furnish a bond of the penalty of $500. As the business of the office increases this penalty is from time to time increased. The amount of penalty is based upon the quantity of supplies carried in the office. When an office becomes of such size and importance as to require money-order facilities, a new bond, covering the money-order business, is called for. The amount of the penalty of the bond for postal funds is determined from the report of the Third Assistant Postmaster General showing the amount of supplies furnished, and it is not expected that a postmaster will have stamps and other supplies on hand amounting to more than three-fourths of the penalty of the bond. The amount of money-order penalty is determined from the report of the money-order division of the office of the First Assistant Postmaster-General. Postmasters are required to make their deposits promptly, and consequently should never have a greater

amount of money-order funds on hand than will meet the daily demands upon the office, and the amount of the bond is therefore fixed to cover possible contingencies.

When the Third Assistant Postmaster-General finds that the value of supplies ordered by any postmaster amounts to more than three-fourths of the penalty of his bond, he so advises the division of bonds and commissions, and the postmaster is called on to furnish a new bond with an increase of penalty. The various causes for which new bonds are required are as follows: Renewals at the end of every four years; upon the death of a surety; upon the request of a surety to be released from a bond; upon the report of an inspector that for any reason the bond is found to be insufficient; and upon the insufficiency of the penalty covering the postal and money-order funds.

SURETIES ON BONDS.

By the act of Congress approved August 13, 1894, authority was given the departments in Washington to accept bonds executed by surety and trust companies for such Government officials as are required by law to furnish a guaranty for faithful performance of duty. This act has had a limited application to postmasters' bonds. The Postal Laws and Regulations require that every postmaster's bond shall be executed by not less than two sureties, and the Postmaster-General has wisely insisted that at least one of them shall be a patron of the office in question. The bonds of surety and trust companies are accepted from postmasters at offices of the first and second classes for half the penalty, provided the company is incorporated under the laws of the State in which the office is located. Personal sureties are preferable, however, because collections can be much more promptly and satisfactorily made. Bond companies sometimes resort to legal quibbles and technicalities to delay or evade payment when losses occur, while private citizens, when presented with the proof that the guaranteed is in default, as a rule promptly meet the obligation and pay the loss.

Another feature of the desirability of personal sureties is that defaults are less liable to occur when the bonded official realizes that he is involving his neighbors and personal friends in serious financial loss. When citizens of a community and patrons of the post-office are on the bond of the postmaster, and are therefore responsible for his conduct, they are quick to observe any suspicious practices or habits on the part of the postmaster, and frequently report to the Department the result of their observations, which always leads to prompt investigation. Surety and trust companies are not accepted on the bonds of postmasters at third and fourth class offices.

The policy that requires a postmaster to furnish bondsmen from among his neighbors doubtless protects the Department in many instances from securing incompetent and unworthy postmasters, and in case of death or of defalcation or other violations of the Postal Laws and Regulations it is a matter of great convenience that the inspector can call immediately upon the bondsmen and require them to make good the shortage or take immediate possession of the office, designating some one to act as postmaster who will conduct the business to the satisfaction of the Department and the community until a successor may be appointed. At least two sureties are required on every bond,

and the aggregate amount in which these sureties qualify must be double the amount of the penalty of the bond. The aggregate amount of the penalties of all postmasters' bonds now in force is about $120,000,000.

The penalties of the bonds which were approved during the fiscal year 1903 amounted to $41,083,000, as compared with $58,810,800 for the preceding fiscal year.

The law of Congress which requires the bonding of clerks direct to the Government has resulted in serious embarrassment in a number of instances in the collection of losses from postmasters, the postmasters alleging that since the clerk is bonded direct to the Government the clerk is responsible for the loss and not the postmaster. Such a claim, in the judgment of the Department, is not valid, and postmasters are held for such losses. Prior to the passage of this law, however, there was no question as to the liability of postmasters for the defalcation of clerks, since clerks were not bonded to the Department, but to the postmasters whenever they saw fit to require bonds of clerks handling the funds of the office. The old practice was much more satisfactory, and collections were more easily and promptly made.

If for any reason whatever the Department deems it necessary for a postmaster to furnish a new bond, he is at once notified, and if he fails after two notices to furnish a new bond the same is reported to the division of appointments, where a case is made up for the removal of the postmaster.

In addition to the bonds and oaths of office, a great many blanks and circulars are sent out from this division. The whole number of blank forms in use in the division is 77. The number of all these sent out during the fiscal year was 189,312. Thirty-two thousand eight hundred and thirty-seven blank bonds were forwarded to postmasters for execution; of these, 8,415 were received improperly executed and were returned for correction.

The oaths of all clerks and assistant postmasters in all post-offices are filed in this division. Of these there were received and filed during the year 42,269.

The apparent discrepancy, as shown in the attached table, between the number of cases received from the division of appointments and the number of appointment bonds examined and passed for approval grows out of the fact that all the cases made up for the discontinuance of post-offices and for changes of site have to be handled in the bond division as well as in cases of appointment.

It sometimes occurs that a postmaster resigns and abandons his office, and the appointment of a successor does not immediately follow. In such cases, and also in case of the death of postmasters, it devolves upon the bondsmen to select some one who shall act as postmaster until a new appointment may be made. The bond of the postmaster is held to be in force until such time as the new appointee qualifies, receives his commission, and takes charge of the office.

RECORDS OF THE DIVISION.

For convenient reference, a record of the bonds of Presidential postmasters is kept in a separate book from those in which the record of fourth-class bonds is kept, the names of the postmasters being arranged alphabetically and according to the dates of appointment.

In addition, the names of the Presidential postmasters are entered in another book by States and Territories, the offices being arranged in alphabetical order.

In fourth-class cases a record is kept of the bonds of all postmasters in alphabetical order. There is also a record in which the post-offices are arranged alphabetically by counties and States, with the names of the postmasters and dates of appointments.

REPORTS.

From the bond division reports of its operations are made as required by law, as follows: Daily, to the division of post-office supplies, to the Superintendent of the Money-Order System, and to the Superintendent of Free Delivery, in the office of the Fourth Assistant Postmaster-General; to the contract and equipment divisions, in the office of the Second Assistant Postmaster-General; to the stamp division, in the office of the Third Assistant Postmaster-General, and to the General Superintendent of the Railway Mail Service, in the office of the Second Assistant Postmaster-General, for publication in the Daily Bulletin, and weekly to the Auditor for the Post-Office Department.

COMMISSIONS.

Three classes of commissions are issued—Presidential recess, Presidential confirmation, and fourth class—and the preparation of these is assigned to the bond division. Commissions to postmasters of the Presidential class are signed by the President and countersigned by the Postmaster-General. Except in recess appointments, Presidential commissions are for a period of four years. Recess appointments are those made by the President during recess of Congress, and commissions issued upon such appointments are in force until the adjournment of the first session of the Senate after the appointment, or until such time as the Senate may confirm the appointee, if such commission is not sooner revoked by the President. Commissions to postmasters of the fourth class are signed only by the Postmaster-General, and run for no definite length of time, but expire at the will of the Postmaster-General.

The work of the division has been largely increased by the operation of a provision of the legislative, executive, and judicial appropriation act for the fiscal year ended June 30, 1896, which provides for an examination into the validity of all bonds of postmasters once every two years and for the renewal of all such bonds at the expiration of every four years.

Prior to the passage of this act the bonds of all postmasters of the fourth class, excepting those of money-order offices, were deemed to be sufficient upon the certificate of the officer qualifying the sureties, and only in special cases was investigation made by the Department as to the responsibility of such sureties.

The examinations required under this provision are made through the force of post-office inspectors, and they necessarily entail upon that force, as well as upon the division of bonds and commissions, a vast amount of additional work. The bonds of all postmasters at offices of the first, second, and third classes, as well as at money-order offices of the fourth class, after being approved by the Department, are submitted to the inspectors' division for a report as to its sufficiency.

Much added labor, of course, also devolves upon this division through the requirement for a renewal of all bonds every four years.

During the fiscal year the Senate confirmed the appointment of 1,379 postmasters.

The number of postmasters reported by the Auditor for the Post-Office Department for informalities or delinquencies during each of the last five fiscal years is as follows: 1899, 423; 1900, 231; 1901, 461; 1902, 503; 1903, 415.

The number of notices sent to sureties notifying them of failure of postmasters to comply with the postal regulations in making their returns to the auditor, or of their delinquencies, for each of the last five fiscal years is as follows: 1899, 1,101; 1900, 510; 1901, 922; 1902, 993; 1903, 833.

The following table is submitted, showing in detail the amount of work accomplished by this division during the year:

Report showing the amount and character of work done in the bond division for the fiscal year ended June 30, 1903.

CASES RECEIVED.

Number of cases received from appointment division:	
Presidential	1,522
Fourth class, money order	4,904
Fourth class, not money order	15,798
Total	22,224

BONDS APPROVED.

Number of bonds examined and passed for approval of the Postmaster-General:	
Presidential	1,875
Fourth class, money order	11,121
Fourth class, not money order	15,990
Total	28,986

NEW BONDS.

New bonds sent by order of the Postmaster-General	11,600
New bonds sent upon request of sureties	802
New bonds sent upon request of postmasters	1,330
New bonds sent upon request of the Third Assistant Postmaster-General	7
New bonds sent upon report of post-office inspectors	631
New bonds sent for establishment of new money-order offices	1,289
Total sent	15,659
Less number of new bonds sent and for various reasons not yet returned	962
Whole number received	14,697
Total number of new bonds received, reported, and filed:	
Presidential	195
Fourth class, money order	7,392
Fourth class, not money order	7,110
Total	14,697

NEW BONDS AND APPOINTMENT BONDS.

Total number of bonds received, reported, and filed:	
New bonds	14,697
Appointment bonds	14,289
Total	28,986

BONDS RETURNED.

Bonds returned for correction	8,415
Duplicate bonds issued	3,851

OATHS AND NOTICES.

Oaths of clerks and assistant postmasters received and filed	42,269
Surety notices sent to the chief post-office inspector for investigation	19,311
Post-office inspectors' reports on sufficiency of bonds received	18,138
Number of blank oaths sent by request of postmasters	36,228

INFORMALITIES REPORTED.

Number of postmasters reported by the Auditor for informalities or delinquencies	416
Number of notices sent to sureties notifying them of failure of postmasters to comply with the postal regulations in making their returns to the Auditor, or of their delinquencies	833

Statement showing the number and character of the various reports made to the several bureaus of the Department for the fiscal year ended June 30, 1903.

Commissioned postmasters reported to the Auditor and the Third Assistant Postmaster-General, and for publication in the Postal Bulletin:	
Presidential	1,680
Fourth class, money order	3,729
Fourth class, not money order	8,880
Total	14,289
New bonds reported to the Auditor	14,697
New bonds reported to the Third Assistant Postmaster-General	2,135
Number of discontinued post-offices reported to the Auditor and the Third Assistant Postmaster-General	4,219
Number of acting postmasters reported to the Auditor and the Third Assistant Postmaster-General	871
Number of acting postmasters reported to the Superintendent of the Money-Order System	444
Number of establishments and changes of name and site of post-offices reported to the equipment division and to the division of post-office supplies	3,845

Penalty of bonds approved for year ended June 30, 1903.

Presidential	$16,161,000
Fourth class, money order	$17,927,000
Fourth class, not money order	$7,995,000
Total penalty	$41,083,000
Average penalty of bonds approved this year:	
Presidential	$8,620
Fourth class, money order	$1,612
Fourth class, not money order	$500
Number of blank forms in use	77
Number of blanks sent out	189,312

THE DIVISION OF FREE DELIVERY.

On May 9, 1903, pursuant to your order, the division of free delivery, formerly assigned to the First Assistant Postmaster-General, was transferred to this Bureau. This division embraces three branches of the postal service, namely, city free delivery, special delivery, and rural free delivery. The supervision of the work has been directed by the general superintendent, while superintendents had immediate charge of the city free-delivery and the rural free-delivery service. The special delivery is in charge of a clerk, having the personal attention of the general superintendent. The supervisor of the rural free-delivery service has charge of the inspection of the established routes,

the gathering of statistics as to the business transacted by rural carriers, and the conducting of general correspondence in relation to the service. This organization has been continued up to the present time.

CITY FREE DELIVERY.

The superintendent of city free delivery has immediate charge of the extension of the service where it is in operation; the establishment of service at offices becoming entitled to it under the law; allowances for horse hire, for wagon collection service, for bicycles, and for the employment of emergency and temporary carriers; the bonding of carriers and substitutes; the discipline of carriers; the recording of all changes in the service, such as appointments, promotions, transfers, removals, and reinstatements, and the examination of schedules of deliveries and collections.

NEW FREE-DELIVERY OFFICES.

The service has been established at 99 offices during the year. In 1902 the number of offices was 67; in 1901, 68; in 1900, 62; and in 1899, 47. Following is a list of the offices which became free delivery in 1902–3, with the number of carriers at each:

New offices established during the fiscal year ending June 30, 1903.

	Carriers.		Carriers.
1. Abilene, Tex	2	39. Hingham, Mass	3
2. Albany, Oreg	2	40. Houlton, Me	3
3. Albion, N. Y	4	41. Iowa Falls, Iowa	2
4. Alexandria, La	3	42. Irvington, N. Y	3
5. Ambler, Pa	2	43. Junction City, Kans	2
6. Ames, Iowa	3	44. Kalispell, Mont	2
7. Ardmore, Ind. T	2	45. Kendallville, Ind	3
8. Barberton, Ohio	3	46. Lake Charles, La	4
9. Beaver Dam, Wis	3	47. Lawton, Okla	3
10. Berwick, Pa	3	48. Lead, S. Dak	4
11. Bessemer, Ala	4	49. Leroy, N. Y	3
12. Bismarck, N. Dak	3	50. Lewisburg, Pa	2
13. Bonham, Tex	3	51. Lewiston, Idaho	2
14. Bristol, Pa	4	52. Livingston, Mont	2
15. Canal Dover, Ohio	3	53. Longbeach, Cal	3
16. Cape May, N. J	3	54. Lyons, N. Y	3
17. Carnegie, Pa	6	55. McKinney, Tex	2
18. Carrollton, Mo	2	56. McPherson, Kans	2
19. Centerville, Iowa	4	57. Malone, N. Y	4
20. Concordia, Kans	2	58. Marshfield, Wis	3
21. Concord Junction, Mass	2	59. Mendota, Ill	3
22. Crowley, La	3	60. Mexico, Mo	4
23. Danville, Ky	3	61. Morgan Park, Ill	2
24. Dover, Del	2	62. Moscow, Idaho	2
25. Dwight, Ill	2	63. Muskogee, Ind. T	2
26. East Aurora, N. Y	2	64. New Ulm, Minn	3
27. Easthampton, Mass	3	65. Noblesville, Ind	3
28. Estherville, Iowa	3	66. Norfolk, Nebr	3
29. Eugene, Oreg	2	67. Northfield, Minn	3
30. Franklin, Ind	3	68. Ocean City, N. J	3
31. Franklin, Mass	3	69. Oelwein, Iowa	3
32. Freehold, N. J	3	70. Osage, Iowa	2
33. Florence, Colo	3	71. Pendleton, Oreg	2
34. Hampton, Va	4	72. Philipsburg, Pa	3
35. Hancock, Mich	3	73. Pocatello, Idaho	2
36. Hattiesburg, Miss	3	74. Princeton, Ill	3
37. Hanover, Pa	4	75. Putnam, Conn	4
38. Highpoint, N. C	2	76. Redding, Cal	3

	Carriers.		Carriers.
77. Ridgewood, N. J	3	89. Taylorsville, Ill	3
78. Rockyford, Colo	2	90. Trenton, Mo	4
79. St. Charles, Mo	4	91. Tuscaloosa, Ala	2
80. St. Johns, Mich	3	92. Union City, Pa	3
81. Salisbury, N. C	3	93. Vandergrift, Pa	2
82. Saugerties, N. Y	3	94. Washington, Iowa	3
83. San Rafael, Cal	2	95. Wauwatosa, Wis	2
84. Scottdale, Pa	3	96. Waynesburg, Pa	2
85. South Weymouth, Mass	9	97. Wellesley, Mass	2
86. Statesville, N. C	2	98. Woodbury, N. J	3
87. Sumter, S. C	3	99. York, Nebr	3
88. Tarentum, Pa	3		

GROWTH OF THE SERVICE.

Besides the 285 carriers provided for new service, 1,470 were allowed for extension of the service at offices where free delivery has been in operation. The total number of carriers employed on June 30, 1903, was 19,542, an increase of 9.9 per cent over the number at the corresponding date the previous year. The number of offices having free delivery at the close of the fiscal year was 1,032.

The following table gives the principal facts regarding the expansion of the service from its inception, July 1, 1863, to this time, a period of just forty years:

Year.	Number of offices.	Increase.	Number of carriers.	Increase.	Gross receipts.	Increase.	Cost of service.	Increase.	Cost to gross receipts.	Ratio of cost per carrier.
				Per ct.		*Per ct.*		*Per ct.*	*Per ct.*	
1863–64	66		685				$317,063.20			$462.86
1864–65	45		757				448,664.51			592.68
1865–66	46		863				589,236.41			682.77
1866–67	47		943				699,934.34			742.24
1867–68	48		1,198				995,934.59			831.33
1868–69	48		1,246				1,183,915.31			950.17
1869–70	51		1,362				1,230,079.85			903.14
1870–71	52		1,419				1,353,923.23			954.14
1871–72	52		1,443				1,385,965.76			970.43
1872–73	52		1,498				1,422,495.48			949.59
1873–74	87	35	2,049				1,802,696.41			879.79
1874–75	87		2,195				1,880,041.99			856.51
1875–76	87		2,269				1,981,186.51			873.15
1876–77	87		2,265				1,893,619.85			836.03
1877–78	87		2,275	0.4	$12,117,820.24		1,824,166.96		15.05	801.84
1878–79	88	1	2,359	3.6	13,066,470.76	7.8	1,947,706.61	6	14.90	825.69
1879–80	104	16	2,628	13.9	15,082,166.65	15.4	2,363,693.14	21.4	15.66	879.31
1880–81	109	5	2,861	6.4	16,887,086.23	11.9	2,499,911.54	5.7	13.61	873.78
1881–82	112	3	3,115	8.8	19,414,772.80	14.9	2,623,262.74	4.9	13.51	842.45
1882–83	154	42	3,680	18.1	22,317,499.94	14.9	3,173,336.51	20.9	14.21	862.31
1883–84	159	5	3,890	5.7	21,596,020.08	3.2	3,504,206.52	10.4	16.22	891.82
1884–85	178	19	4,358	12	21,940,169.42	1.6	3,985,952.55	13.4	18.15	914.62
1885–86	181	3	4,841	11	22,629,826.66	3.1	4,312,306.70	9	19.05	890.58
1886–87	189	8	5,310	9.6	25,014,385.30	10.5	4,618,692.07	6.7	18.46	869.82
1887–88	358	169	6,346	19.3	29,459,943.33	13.7	5,422,356.36	17.4	18.40	854.45
1888–89	401	43	8,257	30.1	32,206,493.72	9.3	6,957,941.90	28.3	21.60	842.67
1889–90	454	53	9,066	9.7	36,648,000.49	13.8	7,976,202.72	14.6	21.21	879.79
1890–91	519	65	10,130	11.7	40,405,386.28	10.2	9,072,160.31	13.7	22.47	895.57
1891–92	568	49	10,737	5.8	44,031,728.77	9	9,966,892.67	9.9	22.63	928.27
1892–93	610	42	11,625	8.2	48,444,363.83	10	10,683,575.26	7	22.05	919.01
1893–94	610		11,736	.9	45,801,210.16	a5.15	11,229,436.78	5.1	24.51	956.83
1894–95	604		12,714	8.2	49,128,621.42	7.2	12,135,544.93	8	24.70	954.50
1895–96	627	23	12,834	.94	52,567,624.42	7.7	12,713,861.41	4.7	24.18	970.59
1896–97	629	2	12,931	.75	52,741,470.37	.33	12,827,396.69	.88	24.32	991.98
1897–98	688	59	13,696	5.9	56,681,804.68	7.47	13,387,506.10	4.4	23.62	977.47
1898–99	735	47	14,256	4	61,897,916.82	9.04	13,905,800.00	3.9	22.50	975.43
1899–1900	796	61	15,322	7.48	66,775,203.86	8	14,512,190.04	4.4	21.73	979.78
1900–1901	866	71	16,389	6.96	74,295,394.67	11.26	15,752,600.00	8.55	21.20	961.17
1901–2	933	67	17,787	8.5	83,330,812.37	12.16	17,123,310.90	8.7	20.55	962.80
1902–3	1,032	99	19,542	9.9	93,466,623.13	12.14	19,337,986.00	12.93	20.69	989.56

a Decrease.

NOTE.—Prior to the year 1877–78 the gross receipts of free-delivery offices were not reported separately by the Auditor.

It will be seen that while the gross receipts of free-delivery offices increased 12.14 per cent, or almost $10,000,000, the cost of city delivery increased at a greater ratio—12.93 per cent. The cost of the service increased from 20.55 per cent to 20.69 per cent of the gross receipts of the free-delivery offices, and is in excess of one-fifth of the total income of those offices. The cost per carrier was $989.56, a material advance over former years, having been exceeded only in 1896-97.

SEPARATIONS FROM THE SERVICE.

There were during the year 653 separations of carriers from the service for the reasons given below:

For intoxication	69
For arrest for violation of postal laws and regulations	26
For gross violation of postal laws and regulations	100
For physical disabilities	11
By resignations	296
By deaths	151
Total	653

The following statement gives the percentage of separations for every cause since the civil-service law was extended to cover all free-delivery offices ten years ago:

	Per cent.		Per cent.
1893–94	6.3	1898–99	3
1894–95	4.9	1899–1900	2.9
1895–96	3.7	1900–1901	2.9
1896–97	2.5	1901–2	3
1897–98	2.9	1902–3	3.3

Removals for cause during the same period were as follows:

	Per cent.		Per cent.
1893–94	4	1898–99	1.27
1894–95	3	1899–1900	1.17
1895–96	2.10	1900–1901	1.09
1896–97	1.06	1901–2	.88
1897–98	1.32	1902–3	.99

There were 21 more removals for intoxication, 6 more for arrest, and 11 more for gross violations of the postal laws and regulations than during the preceding year. These figures tend to show that there is no marked increase in the dishonesty or carelessness of carriers, but that intemperance is growing and that more stringent measures must be taken to prevent it. Removal of those who use intoxicants to excess appears to be the only effective method of discipline or of relieving the service of drunkards, experience through a long series of years having demonstrated that very few redeem promises to reform.

SPECIAL-DELIVERY SERVICE.

Fees of 8 cents each on special-delivery matter were claimed by postmasters last year to the total amount of $716,765.49, showing that 8,959,568 pieces of mail of this character were delivered. These figures relate to all post-offices, irrespective of class. The following table

contains a comparative statement of special-delivery matter handled at free-delivery offices during the fiscal years 1902 and 1903:

Item.	Year ending June 30—		Increase.	Per cent of increase.
	1902.	1903.		
Number of messengers in special-delivery service	2,659	2,917	258	9.32
Number of special-delivery letters and parcels arriving from other places	5,554,311	6,446,679	892,368	16.07
Number of special-delivery parcels and letters for local delivery	1,231,910	1,413,613	181,703	14.75
Total	6,786,221	7,860,292	1,074,071	15.84
Number of special-delivery letters and parcels failed of delivery by messengers	313,865	362,167	48,302	[a].13
Amount of compensation paid to messengers or others for special delivery	$533,207.63	$621,779.46	$88,571.83	16.61
Average time of delivery of special-delivery mail after its arrival.....minutes..	18.25	18.60	.35	.02

[a] Decrease in proportion to number of pieces received for special delivery.

Amount allowed for car fare of special-delivery messengers during fiscal year 1902–3, $7,858.93.

DETROIT MARINE SERVICE.

The peculiar marine service at Detroit, Mich., for the exchange of mail with passing vessels requires special mention at this time because of the necessity of entering upon a new contract for the boat that forms the essential part of the equipment.

The service went into operation in 1895. The mail to and from vessels is handled at a so-called "marine station" of the post-office, situated on a dock. Deliveries and collections are made by steamer or rowboat, all of the five carriers at present employed being expert watermen. The vessels do not stop or slow down to receive or dispatch their mails, so that the exchange must be made after the mail boat has overhauled and made fast to a vessel and while both are in motion. During the first season (1895), a steam tug was used by the carriers, but it was found not well adapted to the work, and before the close of the season a small steamer was secured and has been in the service continuously since. She was chartered for the remainder of that season and for the seasons of 1896 and 1897, but in the spring of 1898 a contract providing for her use for a term of four years, from April 1 of that year, at $18 a day, was entered into. That contract has been extended by the Postmaster-General to cover the season of 1903. The average season is two hundred and fifty days, for which the current appropriation of $4,500 just provides at the rate of $18 a day.

It having been assumed that a steamer of special construction, unsuited for other purposes, would be needed for this service, the proviso "that the Postmaster-General may, in his discretion, enter into contract for such marine postal service for a period not exceeding ten years" was incorporated into the last appropriation act. Efforts have been made to perfect a contract of the character contemplated, but the results of advertising and other measures for calling attention to the Department's wants were only two bids. One of these is for performing the service at the rate of $47 a day and the other at $75 a day. The lowest bidder proposes to build a steel boat 85 feet long and of 16 feet beam, with abundant speed and with adequate quarters for accommodating the carriers as well as the crew. If this bid is accepted, the

service will cost $11,750 for a season of two hundred and fifty days. It should be stated that the service is maintained every hour of the day and every day while the season lasts. Possibly more favorable bids could be obtained on further trial, but if not the appropriation of $12,000 asked for will no more than meet the requirements. The present contractor offers to do the work for $20 a day during the season of 1904 in case the Department wishes to continue the service. The boat in use, however, is somewhat old, and doubt has been expressed whether it can be depended upon for another year's service.

Reports received indicate that the service is of value to those interested in the heavy traffic on the Great Lakes, the larger part of which passes through the Detroit River. The statistics of the service also tend to show that it is appreciated and utilized more and more by those for whose benefit it is conducted. In 1895 the number of pieces of mail handled was 47,000; in 1896, 176,000; in 1897, 239,945; in 1898, 225,534; in 1899, 290,616; in 1901, 396,291; in 1902, 478,023, and in 1903, 477,345.

UNIFORMITY OF SERVICE.

Free delivery is, at least to an extent, a luxury. Forty years ago everybody went or sent to the post-office for his mail; now it is delivered several times daily to the homes and places of business of the residents of more than a thousand cities. The service, however, adds appreciably to postal revenues by facilitating correspondence, but consumes over one-fifth of the gross receipts of the post-offices where it exists, and the cost per carrier is gradually increasing. Unnecessary deliveries are extravagant, and careful scrutiny should be made of the same in all of the large offices of the country. There is in some of the more populous cities a great diversity in the number of deliveries.

A careful inquiry will be made during the present fiscal year as to the cause of such diversity, with a view to economizing the expenditure without disturbing the efficiency of the service. Business deliveries should of course be as frequent as circumstances demand, and the same rule applies to collections in both business and residential districts. It is impracticable perhaps to lay down inflexible rules on these matters for universal enforcement, but the disparities between the services in different cities ought not to be as pronounced as they are. This matter is being given special attention, with a view to correcting inequalities.

Allowances for horse hire for mounted carriers also need careful scrutiny. The cost of maintaining a horse varies in different localities, but there is no good reason why the allowance should be so unequal as it now is. A thorough investigation of this inequality of expenditure is being made.

LETTER BOXES AND OTHER EQUIPMENT.

An investigation which is still in progress has shown that for a number of years supplies for the free-delivery service have not been purchased with an eye single to the public interests. Both in the matter of quality and the cost of equipment the ruling consideration has been private gain. This applies to articles furnished under regular contract, such as street collection boxes and carriers' satchels, as well as to those bought in the open market under exigency privilege, which has

been much abused. Favored contractors, abetted by a trusted but unfaithful official, have corrupted the public service. An early and thorough reformation will be undertaken along the line of service equipment, with the prospective result of improved service at reduced cost. Fraudulent contracts have been abrogated. In the reletting of contracts honest competition will have fair and free play.

ESTIMATES FOR 1904–5.

The estimates for the coming fiscal year have been made on the assumption that the expenses generally, at least in the main items, would be 10 per cent greater this year than last and grow at the same rate during next year. By far the largest expenditure is for the pay of carriers, the cost of these at the old free-delivery offices during the past year having been $17,343,122.59 and at new offices $83,727.09. The number of carriers promoted was 1,628—679 from $600 to $800, 565 from $600 to $850, and 384 from $800 to $1,000; and of the 19,542 carriers in the service on June 30 last, 2,396 were receiving a salary of $600 each; 960, $800; 6,645, $850; and 9,541, $1,000.

The general business prosperity adds decidedly to postal receipts, even at the smaller offices, with the result that an increasing number are becoming entitled to free delivery. The expansion of the service also naturally makes more demand upon the appropriations for horse hire and car fare.

The reasons for increasing the estimate for the Detroit marine service from $4,500 to $12,000 have been explained.

It is believed that the present appropriation of $12,000 for car fare of special-delivery messengers in emergency cases will be ample for the coming year. Of the $10,000 appropriated for last year but $7,858.93 was apportioned, and of that only $6,577.15 was used. The special-delivery business of last year was approximately 16 per cent greater than during the preceding year, and if that growth is maintained the amount asked for in payment of fees of special-delivery messengers, $950,000, will be none too large.

FREE-DELIVERY SERVICE.

ESTIMATES FOR THE YEAR 1904–5.

For payment of letter carriers in offices already established and for substitute letter carriers and for temporary carriers at summer resorts, holiday, election, and emergency service, as follows:

2,989 carriers, at $600 per annum	$1,793,400
1,344 carriers, at 800 per annum	1,075,200
7,259 carriers, at 850 per annum	6,170,150
9,910 carriers, at 1,000 per annum	9,910,000
21,502 carriers	18,948,750
For promotion of carriers (act of August 2, 1882)	440,000
For substitutes for carriers on vacation (act of June 27, 1884)	550,000
Total	19,938,750
Estimated credit by change of grade	137,500
Total	19,801,250
For temporary carriers at summer resorts, for holiday service and other emergencies, and to serve routes of carriers employed on civil-service boards	175,000

For additional carriers for improvement and extension of service at established offices	$600,000
For substitute carriers for additional carriers on vacation	30,000
Total	20,606,250
For pay of letter carriers in new offices entitled to free-delivery service under existing law	125,000
For horse-hire allowance	800,000
For car-fare and bicycle allowance	325,000
For compensation to 22 mechanics, employed exclusively in painting, repairing, and erecting street letter boxes, at not exceeding $900 each	19,800
For marine postal service, Detroit, Mich	12,000
For all other incidental expenses, including actual expenses of superintendent of city delivery and assistant superintendent of free delivery when traveling on official business, letter boxes, package boxes, posts, furniture, satchels, and straps	300,000
	22,188,050
For car fare for special-delivery messengers in emergent cases	12,000
For fees to special-delivery messengers	950,000
Total	23,150,050

RURAL FREE-DELIVERY SERVICE.

Requirements.—The rural free-delivery service is established upon petition of the people properly indorsed. The purpose of the service is to carry the mails daily to people who would otherwise have to travel from 2 to 12 miles to a post-office to receive their mail. It is required that the roads traversed by a rural route shall be in good condition, that there must be no unbridged creeks or streams not fordable at all seasons of the year, and that each route be 20 to 25 miles in length, as a rule, and serve 100 families. In the western prairie States, where the country is level or rolling, the rule that a route should not exceed 25 miles has been relaxed, and where the conditions are favorable, routes 30 miles in length have been established since July 1, 1903, thus serving a larger number of people.

Up to the time of the transfer of the free-delivery division to this Bureau the rule requiring that routes of 20 or more miles serve 100 families was not enforced and routes were established on which the examining agent reported less than that number, provided he found other conditions favorable and recommended establishment. At the time the division was assigned to this Bureau, 10,703 petitions for rural routes were pending. Inasmuch as the appropriation available during the current fiscal year for the extension of the service is sufficient to establish only about 60 per cent of this number, it was determined to adhere to the rule requiring 100 families, thereby giving the service to the greatest number. This will result in depriving, to some extent, a few of the Western States, which are as yet sparsely settled, of the benefits of this service, although the extension of the maximum length of routes in that portion of the country to 30 miles will make it possible to give free delivery to the larger portion of the rural population of that region.

Investigating proposed service.—The investigation of petitions for rural service—reporting on the local conditions as to roads, population to be served, and mail supply at the distributing post-office, and laying out the routes, if the conditions found justify a favorable recommendation—is conducted by a force of special agents and route inspec-

tors. To facilitate this work, which is under the supervision of the superintendent of rural free delivery, the United States was divided into eight divisions, as follows:

Eastern division, with headquarters at New York City, comprising the New England States and New York.

Atlantic division, with headquarters at Philadelphia, comprising Pennsylvania, New Jersey, Delaware, Maryland, and Virginia.

Southern division, with headquarters at Nashville, comprising Tennessee, North Carolina, South Carolina, Georgia, Florida, Alabama, and Mississippi.

Ohio division, with headquarters at Marietta, Ohio, comprising Ohio, West Virginia, and Kentucky.

Middle division, with headquarters at Indianapolis, Ind., comprising Indiana, Michigan, Illinois, and Wisconsin.

Missouri division, with headquarters at St. Louis, comprising Missouri, Kansas, Arkansas, Texas, Louisiana, and Indian and Oklahoma Territories.

Western division, with headquarters at Denver, comprising Iowa, Minnesota, Nebraska, North Dakota, South Dakota, New Mexico, Colorado, Wyoming, and Montana.

Pacific division, with headquarters at San Francisco, in charge of assistant superintendent free-delivery service, comprising California, Oregon, Washington, Idaho, Nevada, Utah, and Arizona.

On July 1, 1903, Indiana was detached from the middle division and made a part of the Ohio division and the headquarters of the middle division transferred to Chicago, that of the Ohio division to Cincinnati, and that of the western division to Omaha. The Pacific division was discontinued, and the States of Colorado, Wyoming, and Montana, and the Territory of New Mexico detached from the western division, and, with the States comprising the Pacific division, attached to the three divisions of post-office inspectors of which they are a part, namely, the Denver, San Francisco, and Spokane divisions, a special agent of the rural free-delivery service being assigned to each of these three divisions for that branch of the work. It is believed that the number of divisions can be reduced to six without impairing the service.

The seven divisions of the rural service are under the direction of division superintendents, who are in charge of the special agents and route inspectors assigned to their divisions. To this force of agents is also assigned the duty of extending and rearranging existing routes, and of investigating complaints of inefficiency of carriers and irregularities in the conduct of the rural service.

Inasmuch as special agents and route inspectors perform the same class of work their title should be the same; and a designation more distinctive of the branch of the service of which they are a part being desirable, they should be known as rural agents.

GROWTH OF THE SERVICE.

On June 30, 1902, there were 8,466 rural routes in operation. During the fiscal year ended June 30, 1903, 6,653 routes were established, making a total of 15,119 on that date. The following table shows the status of rural free delivery service in the various States on June 30, 1903, giving the number of petitions filed, the number of routes established, the number of petitions unfavorably reported, the number pending, and the percentage of cases investigated:

Petitions for rural free delivery filed, routes established, cases adversely reported, petitions pending, and percentage of cases investigated up to July 1, 1903.

State.	Petitions filed.	Routes established.	Adverse reports.	Petitions pending.	Per cent investigated.
Alabama	497	129	99	269	45
Arizona	9	5	0	4	55
Arkansas	83	43	4	36	56
California	244	144	38	62	74½
Colorado	109	48	19	42	61
Connecticut	226	180	22	24	89
Delaware	111	81	9	21	81
District of Columbia	3	2	1	0	100
Florida	31	3	8	20	35
Georgia	1,389	455	308	626	54
Hawaii	1	0	1	0	100
Idaho	40	12	14	14	65
Illinois	2,393	1,352	209	832	65
Indiana	1,882	1,113	164	605	67
Indian Territory	7	0	0	7	0
Iowa	2,186	1,484	158	544	75
Kansas	1,431	736	115	580	60
Kentucky	439	184	47	208	52
Louisiana	26	5	4	17	34
Maine	352	148	49	155	56
Maryland	374	272	40	62	83
Massachusetts	211	129	20	62	70
Michigan	1,519	816	135	568	62
Minnesota	1,149	628	49	472	58
Mississippi	245	58	15	172	29
Missouri	1,390	739	92	559	59
Montana	19	1	3	15	21
Nebraska	869	368	80	421	51
Nevada	2	0	1	1	50
New Hampshire	185	124	23	38	80
New Jersey	177	93	23	61	65½
New Mexico	3	2	0	1	66
New York	1,542	962	139	441	72
North Carolina	961	322	230	409	57
North Dakota	132	31	24	77	41
Ohio	2,185	1,104	193	888	59
Oklahoma	202	21	2	179	11
Oregon	147	78	23	46	69
Pennsylvania	1,600	845	128	627	60
Rhode Island	28	18	4	6	79
South Carolina	673	238	215	220	67
South Dakota	239	125	22	92	61
Tennessee	1,462	573	125	764	47
Texas	742	280	59	403	45
Utah	45	27	10	8	82
Vermont	249	127	37	85	65
Virginia	760	255	132	373	50
Washington	113	52	15	46	59
West Virginia	152	70	11	71	53
Wisconsin	1,166	632	68	466	60
Wyoming	9	5	3	1	88
Total	30,009	15,119	3,190	11,700	61

The growth of the service is also shown in the following statement, in connection with which it should be said that during the past fiscal year the salaries of departmental employees in the rural free-delivery service were not paid from the appropriation for rural free delivery, the same being provided for in the departmental appropriations:

Fiscal year.	Appropriation.	Routes in operation.
1897	$40,000	44
1898	50,000	148
1899	150,000	391
1900	450,000	1,276
1901	1,750,000	4,301
1902	3,993,740	8,466
1903	8,054,400	15,119

On July 1, 1902, there were pending 11,728 petitions. The number of cases made up for investigation during the year was 8,339. This includes petitions filed and cases covering routes laid out where petitions were waived, as in county service. During the year 9,705 cases were reported on—7,991 favorably and 1,714 adversely. Of the favorable reports 3,430 were awaiting action June 30, 1903, so that the number of routes established up to that date as a result of the work during the fiscal year was 4,561, the balance to make up the total number of routes established, 6,653, having been investigated during the fiscal year ended June 30, 1902. The number of petitions pending on June 30, 1903, was 11,700.

County service.—A large number of counties in various States have what is termed county service, i. e., in counties almost entirely served the existing routes have been so arranged and new routes established as to give practically the entire rural population of the county the benefit of this service. The following is a list of counties in which such service has been established up to June 30, 1903, with the number of routes in each county and the date of installation.

County service—rural free delivery—to June 30, 1903.

State.	County.	Date established.	Number of routes.
Alabama	Jefferson	Nov. 15, 1901	29
California	Santa Clara	July 1, 1902	26
Connecticut	Fairfield	Dec. 15, 1900	61
Delaware	Kent	Apr. 1, 1902	42
Georgia	Cobb	Nov. 15, 1902	30
	Newton	Apr. 15, 1902	20
Illinois	Champaign	Mar. 16, 1903	66
	Edgar	May 1, 1902	33
	Iroquois	Dec. 1, 1902	51
	Lasalle	Feb. 16, 1903	64
	Peoria	Sept 15, 1902	34
	Sangamon	May 15, 1903	60
	Vermilion	Aug. 1, 1902	45
	Will	Dec. 1, 1902	38
	Knox	Sept. 1, 1902	24
Indiana	Bartholomew	Nov 15, 1902	29
	Daviess	Dec. 1, 1902	19
	Delaware	Oct. 15, 1901	26
	Gibson	July 15, 1902	37
	Grant	Aug. 15, 1902	36
	Hamilton	Oct. 15, 1902	35
	Jefferson	Apr. 1, 1903	20
	Madison	Feb. 15, 1902	46
	Marion	do	31
	Noble	Dec. 1, 1902	20
	Posey	July 15, 1902	33
	Tippecanoe	Oct. 15, 1902	39
Iowa	Buchanan	July 15, 1902	33
	Delaware	July 1, 1902	25
	Des Moines	do	24
	Dubuque	Nov. 15, 1902	37
	Hardin	Nov. 15, 1901	41
	Van Buren	Apr. 15, 1903	20
Kansas	Sumner	July 15, 1902	64
Kentucky	Jefferson	Aug. 15, 1902	20
Maryland	Carroll	Dec. 20, 1899	52
	Frederick	Nov. 15, 1901	57
	Washington	Mar. 1, 1903	31
Michigan	Clinton	Mar. 16, 1903	39
	Ingham	do	44
Minnesota	Ramsey	May 1, 1903	9
	Washington	Sept. 15, 1902	33
Missouri	Jackson	Feb. 1, 1902	38
Nebraska	Cass	Oct. 15, 1902	23
New York	Cattaraugus	Mar. 2, 1903	26
	Chautauqua	Sept. 15, 1902	86
	Erie	May 1, 1902	59
	Genesee	May 1, 1903	37
	Monroe	Nov. 1, 1902	45
	Niagara	Nov. 15, 1901	42
	Tompkins	Dec. 15, 1902	34

County service—rural free delivery—to June 30, 1903—Continued.

State.	County.	Date established.	Number of routes.
New York	Wayne	July 1, 1902	54
	Yates	Mar. 2, 1903	60
Ohio	Muskingum	Nov. 15, 1902	61
Pennsylvania	Butler	Aug. 15, 1902	80
	Washington	Oct. 3, 1900	103
South Carolina	Anderson	Oct. 1, 1901	37
Tennessee	Cocke	Feb. 2, 1903	17
	Davidson	July 1, 1902	30
	Grainger	Jan. 1, 1903	22
	Greene	Dec. 15, 1902	34
	Hawkins	May 1, 1903	30
	Sevier	Feb. 2, 1903	24
	Sullivan	Jan. 2, 1903	22
	Washington	Dec. 1, 1900	32
Virginia	Rockingham	Oct. 15, 1902	37
Wisconsin	Dane	July 15, 1902	88
	Outagamie	Feb. 16, 1903	39
	Winnebago	Apr. 15, 1903	29

The laying out of an efficient county service calls for careful work of one or more experienced agents for from one to three months, and when so much of it is undertaken as during the past two years, the early examination of petitions for individual routes is greatly delayed. While there is a strong demand for the extension of the service in this way, still, in view of the fact just stated, and considering the large number of petitions yet pending, it is believed the establishment of county service should be restricted until such time as rural free delivery, in response to petitions already filed, is so generally a feature of the postal facilities of the country that complete or county service in localities specially adapted to rural delivery is the natural outgrowth of existing service. It may be urged that this is already the condition in many localities, but it is only fair and just that such communities should await the perfecting of the system until the long-standing petitions of people less favored have been given attention.

Inspection of existing service.—When petitions for changes or extensions in established routes are filed, or changes are necessary for any reason, a case is made up, designated a "special inspection," and given attention as soon as the work of the field force will permit. If the Department has sufficient information to take action without investigation by an agent such course is followed. Heretofore complaints against carriers, except such as involved their official integrity or the misuse of funds, were treated under special inspection cases, but now only complaints as to their efficiency as carriers are so handled, other complaints being referred to the chief post-office inspector for attention.

On July 1, 1902, there were 118 special inspection cases outstanding. During the past fiscal year 3,737 cases have been referred to agents for investigation. Reports have been made in 1,665 cases, leaving 2,190 awaiting attention.

It was formerly customary for agents, when in the vicinity of an office from which rural service emanates, to make periodical "general inspection" of existing routes. However, the increased number of petitions for changes in the service and the large number of petitions for new service on hand not investigated have made it necessary to discontinue this practice. During the year ended June 30, 1903, 211 reports of general inspections were filed in the Department.

OTHER FACILITIES WITH RURAL DELIVERY.

In addition to the delivery and collection of the mail of the patrons on rural routes, the carriers are authorized to receive mail for registration, furnishing a proper receipt therefor; to accept money for the purchase of money orders, giving the patron a receipt for the same, and to sell postage stamps, postal cards, and stamped envelopes. To do this the patron must meet the carrier en route, and a constant effort is being made to secure punctuality on the part of the carriers in reaching given points each day at the same time. Carriers are also required to deliver registered matter, special-delivery letters, and pension letters, which must be delivered to addressee in person, at the door of a patron's house, if within 1 mile of the route. The time of the carrier's departure from the distributing office is so arranged that he will deliver daily papers as early as possible after publication.

BUSINESS TRANSACTED.

Rural carriers are required to keep a count of the mail of all classes handled and the amount of the cancellations on mail collected by them and to report the same monthly to the Department through the postmaster. For the purpose of having at hand information from which an idea of the business transacted on rural routes in the United States could be given these reports for the last six months of the fiscal year—January to June, 1903, inclusive—have been compiled. The number of pieces of mail delivered on rural routes throughout the United States for the period given, aggregating 309,428,128, is shown by States in the following statement:

Total number of pieces of mail of various classes delivered on rural routes for the period from January 1, 1903, to June 30, 1903.

State.	Number of routes.	Pieces delivered.						
		Registered letters or packages.	Letters.	Postal cards.	Newspapers.	Circulars.	Packages.	Total delivered.
Alabama	129	1,248	449,133	60,246	790,062	117,925	37,478	1,456,092
Arizona	5	98	31,711	4,338	79,359	1,559	2,186	121,051
Arkansas	43	284	124,178	16,890	267,507	80,488	11,958	501,305
California	144	4,332	1,305,150	210,803	2,390,573	269,827	67,052	4,247,737
Colorado	48	745	374,823	160,793	836,029	127,557	28,477	1,528,424
Connecticut	180	3,342	1,188,759	216,047	1,866,269	300,468	79,087	3,653,972
Delaware	87	965	345,862	86,899	636,032	75,904	32,832	1,169,492
District of Columbia	2	48	7,393	1,608	9,047	1,864	980	20,940
Florida	8	66	19,485	8,070	15,036	6,696	1,107	50,460
Georgia	455	2,793	1,340,994	242,365	2,933,626	575,556	143,557	5,238,891
Idaho	12	230	86,743	8,681	214,090	28,624	9,559	347,927
Illinois	1,352	7,667	5,061,104	1,215,200	17,362,085	3,070,612	504,093	27,220,771
Indiana	1,113	7,380	4,324,960	1,177,904	17,403,130	2,628,536	467,822	26,009,702
Indian Territory[a]								
Iowa	1,481	9,491	5,788,791	1,271,388	23,575,614	3,871,229	583,376	35,384,358
Kansas	736	4,281	2,993,192	626,326	13,107,007	1,480,954	344,032	18,564,792
Kentucky	184	1,960	698,073	114,334	1,766,516	261,368	62,634	2,903,695
Louisiana	5	234	47,064	5,582	22,099	8,060	1,684	84,723
Maine	148	2,786	792,733	169,741	1,481,864	261,275	76,666	2,785,065
Maryland	272	5,062	1,380,993	298,556	2,486,546	493,856	127,936	4,792,949
Massachusetts	129	2,032	866,936	195,748	1,216,899	304,077	61,558	2,647,250
Michigan	805	6,573	4,050,190	884,418	15,968,481	2,307,576	412,607	23,629,645
Minnesota	628	3,987	2,140,734	491,325	7,865,333	1,141,559	225,191	11,869,727
Mississippi	58	673	123,012	17,939	192,546	54,438	13,558	402,166
Missouri	739	5,760	2,599,393	613,950	9,926,756	1,377,865	263,228	14,785,744
Montana	1	37	10,425	773	27,057	2,511	622	41,425
Nebraska	368	2,411	1,484,257	310,333	6,459,418	902,671	157,513	9,316,603
Nevada[a]								
New Hampshire	123	2,092	725,888	119,873	1,240,584	341,409	62,532	2,492,378
New Jersey	93	1,762	510,598	151,729	945,155	113,817	35,992	1,711,083
New Mexico	2	33	13,949	1,331	17,751	2,267	1,548	36,879
New York	962	8,897	4,401,145	1,190,350	12,708,367	1,652,835	361,584	20,323,178
North Carolina	322	2,818	819,478	199,095	1,522,623	301,116	97,852	2,942,982
North Dakota	40	165	128,049	16,044	363,632	45,782	13,961	567,633
Ohio	1,105	8,829	4,751,913	1,479,892	18,188,531	2,882,243	518,116	27,847,524
Oklahoma	21	208	75,097	10,516	317,662	29,203	6,077	438,763
Oregon	78	941	371,171	81,681	872,659	113,256	32,353	1,472,061
Pennsylvania	845	9,942	3,468,588	649,169	8,920,240	1,099,984	367,170	14,515,093
Rhode Island	18	409	142,668	20,630	195,547	55,712	10,933	425,899
South Carolina	242	1,680	707,721	156,182	1,459,031	288,563	112,040	2,722,517
South Dakota	125	625	381,689	61,984	1,461,562	177,729	40,288	2,123,877
Tennessee	573	9,710	1,994,171	328,813	1,418,610	762,649	243,581	7,726,738
Texas	280	3,755	1,014,314	129,038	2,284,572	353,736	92,505	3,877,920
Utah	27	951	250,755	29,221	425,768	61,776	19,872	788,365
Vermont	127	1,319	603,290	110,783	1,216,450	214,983	60,100	2,206,925
Virginia	255	4,103	727,617	121,681	1,054,260	205,025	75,639	2,188,325
Washington	52	1,136	296,284	35,648	804,958	100,858	26,576	1,265,460
West Virginia	70	1,001	290,993	47,533	593,982	75,808	30,142	1,039,459
Wisconsin	633	4,437	2,631,960	497,042	8,786,516	1,657,153	273,242	13,850,350
Wyoming	5	86	24,198	1,497	49,183	5,149	2,621	82,734
Total	15,125	139,402	61,966,999	13,842,488	197,023,187	30,278,536	6,177,516	309,428,128

[a] No service prior to July 1, 1903.

Supplementing the foregoing statement, the following table shows the monthly average number of registered letters and packages, letters and postal cards, and newspapers, circulars, and packages delivered per route by States, from which it appears that the monthly average per route in the United States for the period stated was, registered letters and packages, 1.6; letters and postal cards, 890; newspapers, circulars, and packages, 2,763; a total of 3,654.6.

Number of pieces of mail collected on rural routes in the United States for the period from January 1, 1903, to June 30, 1903, by States, value of stamps canceled, and the pay of letter carriers.

States.	Number of routes.	Pieces collected.							Value of stamps canceled by carriers.	Pay of carriers for six months.
		Letters and packages registered.	Letters.	Postal cards.	Newspapers.	Circulars.	Packages.	Total collected.		
Alabama	129	1,568	308,889	23,286	1,736	11,775	4,714	352,968	$7,053.34	$38,640.00
Arizona	5	35	18,010	982	509	54	586	20,176	381.68	1,500.00
Arkansas	13	218	92,652	7,122	743	931	1,266	102,932	2,018.93	12,740.00
California	111	1,338	704,984	66,807	27,540	6,648	15,072	822,489	16,977.10	43,200.00
Colorado	48	363	202,152	14,883	5,060	1,196	4,718	228,372	4,618.50	14,400.00
Connecticut	180	3,244	694,891	92,423	25,677	65,074	13,580	874,882	16,723.72	53,340.00
Delaware	81	1,100	218,248	32,698	2,166	4,243	2,352	260,807	5,088.66	24,110.00
District of Columbia	2	83	3,184	382	72	6	208	3,935	70.64	600.00
Florida	3	51	8,804	2,070	155	7	188	11,275	221.11	900.00
Georgia	155	3,495	961,429	92,059	5,353	12,775	14,329	1,089,440	21,194.76	136,500.00
Idaho	12	121	59,189	3,080	1,452	116	1,624	65,182	1,371.62	3,600.00
Illinois	1,352	7,920	3,315,556	319,530	48,194	60,877	61,971	3,114,048	76,485.76	398,980.00
Indiana	1,113	8,556	2,970,467	332,552	37,840	99,175	58,888	3,502,478	67,922.14	333,210.00
Indian Territory[a]										
Iowa	1,484	5,786	3,695,524	357,117	58,016	57,604	77,663	4,251,750	83,369.34	444,945.00
Kansas	736	2,749	2,001,221	229,524	40,144	39,188	46,644	2,357,670	45,461.83	220,600.00
Kentucky	184	1,826	411,188	45,731	4,962	9,578	6,252	579,500	9,213.54	55,150.00
Louisiana	5	232	24,981	685	184	139	295	26,536	573.12	1,500.00
Maine	148	4,033	552,854	68,869	19,274	16,191	13,697	674,918	13,180.17	43,981.25
Maryland	272	6,968	849,404	141,803	41,606	46,256	18,029	1,104,066	18,196.20	80,730.00
Massachusetts	129	2,598	518,575	78,465	19,087	24,141	10,244	653,110	12,737.28	38,340.00
Michigan	815	6,202	2,747,967	391,512	65,939	43,471	60,324	3,315,415	63,193.53	244,024.02
Minnesota	628	3,582	1,437,092	112,315	18,768	26,934	31,643	1,620,334	32,884.26	188,400.00
Mississippi	58	503	93,474	9,601	873	1,509	2,005	107,974	2,100.51	17,400.00
Missouri	739	4,973	1,884,392	182,698	22,314	64,139	33,277	2,191,893	42,447.28	221,300.00
Montana	1	13	5,615	112	94	2	130	5,966	121.00	300.00
Nebraska	368	1,349	963,513	98,186	26,896	72,584	25,128	1,187,656	22,039.25	110,400.00
Nevada[a]										
New Hampshire	123	2,138	455,418	62,304	19,584	33,641	13,709	586,794	11,223.62	36,850.00
New Jersey	93	2,297	306,185	60,887	6,393	9,828	5,216	392,086	7,352.35	27,850.00
New Mexico	2	25	7,900	359	227	11	183	8,705	172.48	600.00
New York	962	10,116	2,853,496	414,987	86,869	107,256	51,315	3,524,039	67,364.47	288,070.00
North Carolina	322	4,103	620,995	64,676	5,393	31,018	10,961	737,151	16,184.89	96,040.00
North Dakota	40	132	81,456	4,146	786	690	1,605	88,815	1,835.79	9,600.00
Ohio	1,105	10,552	3,246,041	499,908	49,733	90,007	62,020	3,958,261	70,816.84	330,920.00
Oklahoma	21	138	53,425	4,000	774	369	1,087	59,793	1,188.58	6,300.00
Oregon	78	464	259,560	19,480	6,667	1,726	6,112	294,009	5,900.99	23,400.00
Pennsylvania	845	15,848	2,404,761	313,104	42,853	90,540	49,190	2,914,296	56,555.46	252,645.00
Rhode Island	18	479	70,417	8,450	1,998	1,157	1,772	82,273	1,708.62	5,400.00
South Carolina	242	2,406	494,173	50,785	2,332	7,595	7,796	566,047	11,069.06	71,240.00

[a] No service prior to July 1, 1903.

Number of pieces of mail collected on rural routes in the United States for the period from January 1, 1903, to June 30, 1903, by States, value of stamps canceled, and the pay of letter carriers—Continued.

States.	Number of routes.	Pieces collected.							Value of stamps canceled by carriers.	Pay of carriers for six months.
		Letters and packages registered.	Letters.	Postal cards.	Newspapers.	Circulars.	Packages.	Total collected.		
South Dakota	125	464	272,364	20,236	2,955	8,277	5,739	310,035	$6,206.22	$37,500.00
Tennessee	573	10,326	431,773	131,607	22,709	30,644	23,980	1,651,099	33,221.12	171,430.00
Texas	280	2,163	805,871	52,442	6,265	6,051	11,759	884,522	17,432.74	83,800.00
Utah	27	502	132,525	8,367	2,648	601	2,882	147,525	3,180.54	8,050.00
Vermont	127	1,732	403,523	44,189	14,165	10,367	8,027	482,013	9,389.80	37,670.00
Virginia	255	3,336	542,947	59,751	8,059	20,826	13,290	648,199	13,523.04	74,630.00
Washington	52	323	192,650	11,381	3,357	1,368	3,964	213,513	4,570.96	15,450.00
West Virginia	70	1,420	189,233	14,696	3,121	3,130	2,973	214,624	4,161.41	21,000.00
Wisconsin	633	5,055	1,778,143	140,983	29,962	23,854	35,374	2,013,371	39,958.86	189,550.54
Wyoming	5	32	19,215	705	268	42	348	20,610	421.26	1,500.00
Total	15,125	143,057	41,364,380	4,691,885	792,337	1,143,621	819,110	48,954,390	949,084.37	4,518,185.82

The following table shows the average number of pieces of mail collected monthly per route in the United States to be: Registered letters and packages, 1.6; letters and postal cards, 544; newspapers, circulars, and packages, 32; a total of 589. The average monthly cancellations per route were 811.22, and the average pay of the carcarriers, $49.78.

Average number of pieces of mail of various classes collected monthly per route, by States, and the average cancellations and the average pay of letter carriers for the period from January 1, 1903, to June 30, 1903.

States.	Average number of routes.	Pieces collected.				Value of stamps canceled by carriers.	Average pay of carriers for six months.
		Letters and packages registered.	Letters and postal cards.	Newspapers, circulars, and packages.	Average total collected.		
Alabama	116	2.2	477	26	505.2	$10.13	$49.92
Arizona	5	1	633	38	673	12.72	50.00
Arkansas	32	1	520	15	536	10.51	49.37
California	139	1.7	925	59	985.7	20.35	50.00
Colorado	47	1	768	39	808	16.37	50.00
Connecticut	177	3	741	98	842	15.74	49.33
Delaware	89	2	543	18	563	10.60	49.60
District of Columbia	2	6.9	297	34	326.9	5.88	50.00
Florida	3	2.8	604	19	625.8	12.28	50.00
Georgia	408	1	430	13	444	8.65	50.00
Idaho	12	1.6	862	44	907.6	19.05	50.00
Illinois	1,240	1	488	23	512	10.28	49.11
Indiana	1,067	1	515	11	527	10.60	49.89
Indian Territory[a]							
Iowa	1,382	.7	488	23	511.7	10.05	49.97
Kansas	710	.6	523	29	552.6	10.50	49.95
Kentucky	161	1.8	473	21	495.8	8.53	49.95
Louisiana	5	7.7	855	20	882.7	19.10	50.00
Maine	142	4.7	729	57	790.7	15.35	49.52
Maryland	255	4.5	643	69	716.5	11.10	49.46
Massachusetts	124	7	802	71	880	17.12	49.54
Michigan	740	1	707	38	846	14.23	49.90
Minnesota	579	1	446	22	469	9.46	50.00
Mississippi	44	1.9	390	16	407.9	7.95	50.00
Missouri	667	1	516	29	546	10.60	49.90
Montana	1	2	954	37	993	20.16	50.00
Nebraska	361	.6	490	57	547.6	10.18	50.00
Nevada[a]							
New Hampshire	114	3	756	84	843	16.40	49.11
New Jersey	92	4	664	38	706	13.31	49.91
New Mexico	2	2	688	35	725	14.37	50.00
New York	926	1.8	588	44	633.8	12.12	49.90
North Carolina	272	2.5	420	33	455.5	9.91	49.71
North Dakota	37	.5	385	13	398.5	8.26	50.00
Ohio	1,044	1.6	596	32	629.6	11.30	49.91
Oklahoma	20	1	478	18	497	8.25	50.00
Oregon	73	1	637	33	671	10.73	50.00
Pennsylvania	780	8	580	39	622	12.08	50.00
Rhode Island	17	4.6	773	48	825.6	16.75	50.00
South Carolina	234	1.7	388	12	401.7	7.88	49.88
South Dakota	112	.6	435	25	460.6	9.23	50.00
Tennessee	518	3	454	22	479	10.68	49.86
Texas	250	1	572	16	589	11.62	49.88
Utah	27	3	869	37	913	19.63	49.69
Vermont	124	2	601	43	646	12.62	49.43
Virginia	223	2	450	31	483	10.10	48.77
Washington	51	1	653	30	684	14.93	49.51
West Virginia	63	3.7	539	24	566	11.00	50.00
Wisconsin	597	1	536	24	561	11.15	49.90
Wyoming	5	1	664	21	586	14.04	50.00
Total	14,080	1.6	544	32	589	11.22	49.78

[a] No service prior to July 1, 1903.

In the following table the States are arranged in order as to average monthly cancellations per route, with the number of routes for the six months from January to June, 1903, inclusive. As a rule there is a decrease in the amount of the average cancellations per month as the number of routes in a State increases.

Average cancellations per route per month, for the six months from January 1, 1903, to June 30, 1903, by States in their respective order, with average number of routes in effect fiscal year 1902–3.

State or Territory.	Routes.	Cancellations.	State or Territory.	Routes.	Cancellations.
1. California	139	$20.35	25. Maryland	255	$11.10
2. Montana	1	20.16	26. West Virginia	63	11.00
3. Utah	27	19.63	27. Oregon	73	10.73
4. Louisiana	5	19.10	28. Tennessee	518	10.68
5. Idaho	12	19.05	29. Delaware	80	10.60
6. Massachusetts	124	17.12	29. Indiana	1,067	10.60
7. Rhode Island	17	16.75	29. Missouri	667	10.60
8. New Hampshire	114	16.40	30. Arkansas	32	10.51
9. Colorado	47	16.37	31. Kansas	710	10.50
10. Connecticut	177	15.74	32. Illinois	1,240	10.28
11. Maine	142	15.35	33. Nebraska	361	10.18
12. Washington	51	14.93	34. Alabama	116	10.13
13. New Mexico	2	14.37	35. Virginia	223	10.10
14. Michigan	740	14.23	36. Iowa	1,382	10.05
15. Wyoming	5	14.04	37. North Carolina	272	9.91
16. New Jersey	92	13.31	38. Minnesota	579	9.46
17. Arizona	5	12.72	39. South Dakota	112	9.23
18. Vermont	124	12.62	40. Georgia	408	8.65
19. Florida	3	12.28	41. Kentucky	161	8.53
20. New York	926	12.12	42. North Dakota	37	8.26
21. Pennsylvania	780	12.08	43. Oklahoma	20	8.25
22. Texas	250	11.62	44. Mississippi	44	7.95
23. Ohio	1,044	11.30	45. South Carolina	234	7.88
24. Wisconsin	597	11.15	46. District of Columbia	2	5.88

An estimate of the value of postage on matter delivered on rural routes has been made for the six months from January to June, 1903, inclusive, which is shown by States in the table below. In the case of newspapers, 8 papers are allowed to the pound, and 5 cents is the estimated average of value of postage on packages. The aggregate value of matter delivered on routes for the period given is $2,139,991.11.

Estimated value of postage on matter of various classes delivered on rural routes, by States, for the period from January 1, 1903, to June 30, 1903.

State.	Number of routes, June 30, 1903.	Registered letters or packages, at 10 cents.	Letters, at 2 cents.	Postal cards, at 1 cent.	Newspapers, at 1 cent per pound.	Circulars, at 1 cent.	Packages, at 5 cents.	Total postage.
Alabama	129	$124.80	$8,982.66	$502.76	$740.69	$1,179.25	$1,988.90	$13,542.75
Arizona	5	9.80	634.22	48.38	74.40	45.59	124.30	936.69
Arkansas	43	28.10	2,183.56	168.80	250.78	804.88	597.90	4,334.42
California	144	133.20	26,103.00	2,108.03	2,241.17	2,698.27	3,352.60	36,936.27
Colorado	48	74.50	7,496.46	1,607.93	781.27	1,275.57	1,423.85	12,659.58
Connecticut	180	334.20	23,775.18	2,160.17	1,749.62	3,004.68	3,954.35	34,978.50
Delaware	81	96.30	6,917.24	808.99	593.45	759.04	1,641.60	10,816.62
Dist. of Columbia	2	1.80	147.86	16.08	8.48	18.64	49.00	244.86
Florida	3	6.60	389.70	80.70	14.09	66.96	55.35	613.40
Georgia	455	279.30	26,819.88	2,423.65	2,719.02	5,755.56	7,177.85	45,175.26
Idaho	12	23.00	1,734.86	86.81	200.71	286.24	477.95	2,809.57
Illinois	1,352	766.70	101,222.08	12,152.00	16,245.70	30,706.12	25,204.65	106,297.25
Indiana	1,113	738.00	86,498.60	11,779.04	16,315.43	26,285.36	23,391.10	165,007.53
Indian Territory[a]								
Iowa	1,484	949.10	115,775.82	12,713.88	22,364.14	38,742.29	29,268.80	219,814.03
Kansas	736	428.10	59,865.84	6,263.26	12,287.81	14,809.54	17,201.60	110,854.15
Kentucky	184	196.00	13,961.46	1,143.34	1,656.10	2,613.68	3,131.70	22,702.28
Louisiana	5	23.40	941.28	55.82	20.71	80.60	84.20	1,206.01
Maine	148	278.60	15,854.66	1,697.41	1,389.24	2,612.75	3,833.30	25,665.96
Maryland	272	506.20	27,619.86	2,985.56	2,331.11	4,938.56	6,396.80	44,778.09
Massachusetts	129	203.20	17,338.72	1,957.48	1,140.84	3,040.77	3,077.90	26,758.91
Michigan	815	657.30	81,003.80	8,844.18	14,970.45	23,075.76	20,630.35	149,181.84
Minnesota	628	398.70	42,806.68	4,913.23	7,373.75	11,115.59	11,359.55	77,967.50
Mississippi	38	67.30	2,360.24	179.39	180.51	511.38	677.90	4,109.72
Missouri	739	576.00	51,387.58	6,139.50	9,306.14	13,778.63	13,161.40	94,949.53
Montana	1	3.70	208.50	7.73	25.35	25.11	31.10	301.49
Nebraska	368	241.10	29,685.14	3,103.33	6,055.07	9,026.71	7,875.65	55,987.00
Nevada[a]								
New Hampshire	123	209.20	14,517.76	1,198.73	1,163.04	3,414.09	3,126.60	23,629.42

[a] No service prior to July 1, 1903.

Estimated value of postage on matter of various classes delivered on rural routes, by States, for the period from January 1, 1903, to June 30, 1903—Continued.

State.	Number of routes June 30, 1903.	Registered letters or packages, at 10 cents.	Letters, at 2 cents.	Postal cards, at 1 cent.	Newspapers, at 1 cent per pound.	Circulars, at 1 cent.	Packages, at 5 cents.	Total postage.
New Jersey	93	$176.20	$10,207.96	$1,317.29	$836.36	$1,138.47	$1,894.60	$15,620.88
New Mexico	2	3.30	278.98	13.31	16.64	22.67	77.40	412.30
New York	962	889.70	88,022.90	11,903.50	11,914.09	16,528.35	18,079.20	147,337.74
North Carolina	322	281.80	16,389.56	1,990.95	1,427.45	3,011.16	4,892.60	27,993.52
North Dakota	40	16.50	2,560.98	160.44	304.90	457.82	698.05	4,198.69
Ohio	1,105	882.90	95,038.26	14,798.92	17,051.74	28,822.43	25,905.80	182,500.05
Oklahoma	21	20.80	1,501.94	105.15	297.80	292.03	303.85	2,521.58
Oregon	78	94.10	7,423.42	816.81	818.11	1,132.56	1,617.65	11,902.65
Pennsylvania	845	994.20	69,371.76	6,491.69	8,362.70	10,999.84	18,358.50	114,578.69
Rhode Island	18	40.90	2,853.36	206.30	183.32	557.12	546.65	4,387.65
South Carolina	242	168.00	14,154.42	1,561.82	1,367.84	2,885.63	5,602.00	25,739.71
South Dakota	125	62.50	7,633.78	619.84	1,370.21	1,777.29	2,014.40	13,478.02
Tennessee	573	971.00	39,893.48	3,288.14	3,829.94	7,620.49	10,669.05	66,262.10
Texas	280	375.50	20,286.28	1,290.38	2,141.78	3,537.86	4,625.25	32,256.55
Utah	27	97.10	5,015.14	292.21	399.15	617.76	993.60	7,414.96
Vermont	127	131.90	12,065.80	1,107.83	1,140.42	2,149.83	3,005.00	19,600.78
Virginia	255	410.30	14,552.34	1,216.81	988.37	2,050.25	3,781.95	23,000.02
Washington	52	113.60	5,925.68	356.48	754.64	1,008.58	1,278.80	9,437.78
West Virginia	70	100.10	5,819.86	475.33	556.85	758.08	1,507.10	9,217.32
Wisconsin	633	443.70	5,279.20	4,970.42	8,237.35	16,571.53	13,662.10	49,164.30
Wyoming	5	8.60	483.96	14.97	46.11	51.49	131.05	736.18
Total	15,125	13,940.20	1,191,979.98	138,244.88	184,294.84	302,695.36	308,835.85	2,139,991.11

Patronage.—In reporting upon the examination of rural routes special agents are required to give the number of houses within convenient distance of the route to be served and to estimate the population. Recently the carriers have been called upon to report the number of boxes on each route and the number of patrons served. A comparison of the special agents' estimates and the facts as reported by the carriers is made by States in the following table, which also shows the average annual cost per route. The average number of boxes per route in the United States is 70 and the average number of patrons served 381, while the average number of houses reported on the routes was 127 and the estimated population 585.

Average number of houses and population reported by special agents, and average of actual number of boxes and patrons served per route, by States, and average annual cost per route.

States and Territories.	Number of routes.	Houses reported.	Population reported.	Boxes per route.	Patrons per route.	Average cost per route per year.
Alabama	129	142	679	48	460	$599.06
Arizona	5	121	476	69	296	600.00
Arkansas	43	114	530	59	359	592.58
California	144	165	729	96	429	600.00
Colorado	48	120	579	94	423	600.00
Connecticut	180	143	633	80	360	592.66
Delaware	81	111	501	65	298	595.30
District of Columbia	2	200	1,000	31	382	600.00
Florida	3	141	658	27	233	600.00
Georgia	456	111	543	53	449	600.00
Idaho	12	132	579	96	450	600.00
Illinois	1,352	119	555	73	344	590.16
Indiana	1,113	136	635	93	424	598.76
Indian Territory[a]						
Iowa	1,484	108	520	73	340	599.65
Kansas	736	110	537	76	343	599.45
Kentucky	184	153	709	70	376	599.45
Louisiana	5	114	671	20	835	600.00
Maine	148	127	513	84	374	594.34
Maryland	272	128	568	70	384	593.60
Massachusetts	129	149	665	84	392	594.41

[a] No service prior to July 1, 1903.

Average number of houses and population reported by special agents, and average of actual number of boxes and patrons served per route, by States, and average annual cost per route—Continued.

States and Territories.	Number of routes.	Houses reported.	Population reported.	Boxes per route.	Patrons per route.	Average cost per route per year.
Michigan	815	152	692	101	443	$598.10
Minnesota	628	112	512	70	330	600.00
Mississippi	58	139	564	43	304	600.00
Missouri	739	125	570	77	349	598.91
Montana	1	112	560	87	664	600.00
Nebraska	368	111	560	76	344	600.00
Nevada [a]						
New Hampshire	124	128	559	70	334	594.35
New Jersey	93	128	583	73	360	598.92
New Mexico	2	97	487	64	211	600.00
New York	962	131	567	86	357	598.90
North Carolina	322	148	628	43	347	596.52
North Dakota	39	74	316	40	250	600.00
Ohio	1,104	139	644	92	410	598.95
Oklahoma	21	96	482	66	279	600.00
Oregon	78	113	561	75	343	600.00
Pennsylvania	845	116	520	66	323	600.00
Rhode Island	18	147	654	88	525	600.00
South Carolina	242	149	642	48	408	598.65
South Dakota	125	109	521	58	277	600.00
Tennessee	573	150	562	62	446	598.35
Texas	280	114	570	63	364	598.57
Utah	27	152	820	127	670	596.30
Vermont	127	113	507	65	310	593.22
Virginia	255	147	658	44	286	585.33
Washington	52	119	545	80	348	594.23
West Virginia	70	112	542	57	370	600.00
Wisconsin	632	125	578	104	421	599.84
Wyoming	5	80	401	56	282	600.00
General average for United States	315	127	585	70	381	597.80

[a] No service prior to July 1, 1903.

RURAL CARRIERS.

How selected and appointed.—The selection of rural carriers is supervised by the central board of examiners, composed of employees of this Department, who work under the direction of the Civil Service Commission. All special agents and route inspectors are appointed auxiliary members of this board. When an agent examines a proposed route, and the requirements of the Department complied with, as a representative of the Civil Service Commission he conducts an examination of the applicants for the position of carrier; due notice of such examination being given through the postmaster at the post-office from which the route is to emanate.

The examination consists of answering a series of questions in the applicant's own handwriting, relating, among other things, to his physical condition, his previous experience and occupation, and such practical tests as will demonstrate his ability to perform the work required. An inquiry is made by the examining agent as to each applicant's acquaintance with the prospective patrons of the route, and whether he has their confidence, and as to his character and fitness for the position.

The examination papers are forwarded by the agent, with report on inquiries made by him, to the central board of examiners, where they are rated in accordance with rules approved by the Civil Service Commission, and an eligible list prepared. The applicants passing the examination are arranged in the order of their rating, with the highest first,

except when a soldier is an applicant, he being entitled to preference under section 1754 of the Revised Statutes. When a carrier is to be appointed for a given route, the person whose name is at the head of the list of eligibles for that route is selected. Each carrier is required to provide a substitute of his own selection, so that service on the route may not be irregular by reason of enforced or other absence. When an examination is held to establish a list of eligibles for each route, the person who is substitute is given preference if his qualifications are equal to those of other applicants.

The resignations of 2,879 carriers were accepted during the year; about 19 per cent of the whole number. Many carriers, because of the length of the routes, the character of the roads to be traveled, the wear on their horses and equipment, and the cost of maintenance, find it unprofitable to continue in the service. Seventy carriers were removed for cause, of which number 7 were arrested for violation of the postal laws. The deaths of 86 carriers were reported.

SALARIES.

Under the law the salary of rural carriers can not exceed $600 per annum, and no other allowance can be made, but it is provided that they shall not be prohibited from doing an express-package business, if it does not interfere with the discharge of their official duties. The Department has in its discretion graded the salaries according to the work performed. The following schedule, based upon the length of the route served, has been usually followed:

Routes not less than 20 miles	$600
Under 20 and not less than 16 miles	500
Under 16 and not less than 12 miles	400
Under 12 and not less than 8 miles	300
Under 8 and not less than 4 miles	200

Since July 1, 1903, where the establishment of a route of 20 miles or more which would serve less than one hundred families was justified, the number of families has been considered in fixing the salary. Short-length routes are found principally in county service, where they are established to connect full-length routes or to reach territory which could not be served otherwise. Routes on which the salary of the carrier is less than $600 by reason of not having the required number of families are also usually a part of county service, being made necessary in serving sparsely-settled territory which could not otherwise be reached.

Express business. - The provision of law under which rural carriers are permitted to do an express-package business was intended by Congress to provide a means of additional compensation, but it is so broad in its terms that the way has been opened for a serious loss of revenue to the postal service. The Department has endeavored to restrict the express matter carried by rural carriers to such as is mailable as fourth-class mail matter, but advantage is taken of the law by business firms to secure the distribution of large quantities of advertising matter by the rural carriers. Such matter is shipped by express or freight to the carrier or some agent who arranges with the carrier for its distribution. Thus rural carriers, employees of the Department, are deliv-

ering to patrons on their routes matter which would otherwise be mailed and become a source of postal revenue.

As the result of the express-package business, complaints frequently come to the Department that carriers are soliciting business for one firm to the disadvantage of others.

In many sections of the country carriers have become the agents of daily newspapers, soliciting subscribers, delivering papers, and collecting for the same. This has led to complaints from other newspapers circulating in the same territory, alleging that carriers discriminate against one paper in favor of another. In one State there was discovered an attempt on the part of a carriers' organization to exact certain compensation from daily papers, and any paper declining to meet such demand was to be placed on the blacklist. The ultimate result of permitting carriers to transact express-package business is great loss of revenue to the Department and constant annoyance from complaints of merchants and publishers. In many instances the delivery of mail is now a secondary matter, the express-package business being regarded by the carrier as the more important part of his work. He is secure in his salary from the Government, and what business he can work up as news agent or express messenger is clear gain. If carriers are to be permitted to do an express-package business, then the entire system of compensation should be changed to the contract system, the same as the star-route service. On many routes a profitable express business is not practicable, while on others it becomes lucrative, and the present system, therefore, results in great inequality of compensation.

It is therefore recommended that rural carriers be restricted to the discharge of their official duties the same as city carriers, as prescribed by the Department, and to provide a compensation commensurate with the service performed, the maximum salary should be raised to $750 per annum for a route of 25 miles.

MAPS.

A sketch of rural free-delivery routes which are to be established is regarded as a necessity for the proper conduct of the service. A copy is filed in the Department, becoming a part of the records; another copy is furnished the postmaster at the distributing office for his information and guidance, and another is filed at division headquarters.

In this way is furnished a picture of the existing postal facilities, the roads traversed by the rural free-delivery routes and those connecting therewith, and in a measure the topography of the locality. These sketches are in fact blueprints taken from a tracing based upon a rough sketch prepared by the agent who examines and lays out the route. By reference to these blueprints or maps, when additional routes are petitioned for it can be ascertained whether or not any part of a proposed route is already covered by existing routes, and frequently applications for curtailment, extension, or variation of routes can be intelligently passed upon without the delay and expense of an examination by an agent.

In cases of one or more routes from one point this work is done at the division headquarters, and has been done by the piece by persons not salaried employees and paid for out of the appropriation for

incidental expenses, rural free-delivery service. A recent decision of the Comptroller of the Treasury holds such an expenditure is not properly chargeable to that appropriation. In submitting estimates for the coming fiscal year request has been made that the item for incidental expenses include the making of maps for use in the rural free-delivery service.

Prior to this decision of the Comptroller, and not in anticipation of it, steps were taken, now about completed, to appoint salaried clerks competent for this work, this being deemed the more legitimate way to secure such service, so that the charge on the incidental expense item of the appropriation will be limited to the necessary material and such equipment as may be needed from time to time.

When county service is contemplated, a map of all the existing routes in the county is prepared for the guidance of the agent laying out the additional service. This work is done in the Department.

RURAL BOXES.

Patrons of the rural free-delivery service are required to furnish at their own cost a box for the reception of mail delivered to them, or which they desire collected by the carrier and dispatched, complying with certain specifications as to size, shape, and workmanship, and made of galvanized sheet iron or sheet steel, the same to be approved by the Department. Individuals and firms proposing to manufacture a box or boxes are required to submit a sample of the same, with a sample of the material of which it is constructed, to the division superintendent in whose territory they may be located, for inspection and approval. If the box or boxes conform to the prescribed requirements the manufacturer is authorized to stencil thereon "Approved by the Postmaster-General." One hundred and eighteen boxes have been so approved, which are sold at prices running from 75 cents to $3.50.

SUPPLEMENTAL REPORT.

The present status of the work.—Since July 1, 1903, the work of investigating and establishing routes has been pushed as rapidly as possible. Of the 2,300 cases on hand favorably reported previous to that date 1,380 have been established and 920 were short the required number of families. A large percentage of the "short routes" were returned to the field for reinvestigation and have been extended or rearranged so as to meet the requirements of the Department. At this time routes are being established as rapidly as favorably reported by the field force. Including routes which were installed July 1, 1903, and service which became operative November 16, 4,549 routes have been established since June 30, 1903. The condition of the work up to October 31, 1903, and including the routes established November 16 is shown in the following table:

Petitions for rural free delivery filed, routes established, cases adversely reported, petitions pending, and percentages of cases investigated up to November 1, 1903.

States.	Petitions filed.	Routes established. [a]	Adverse reports.	Petitions pending.	Per cent investigated.
Alabama	583	225	177	181	69
Arizona	9	7	----------	2	77
Arkansas	86	62	7	17	80
California	256	184	46	25	90
Colorado	111	58	29	24	78
Connecticut	234	200	22	12	94
Delaware	118	85	11	22	81
District of Columbia	3	2	1	----------	100
Florida	35	18	8	9	74
Georgia	1,473	635	384	454	69
Hawaii	1	----------	1	----------	100
Idaho	41	19	15	7	83
Illinois	2,469	1,669	287	513	75
Indiana	1,999	1,385	231	383	80
Indian Territory	7	2	----------	5	28
Iowa	2,238	1,614	233	391	82
Kansas	1,459	909	192	358	75
Kentucky	488	254	69	165	66
Louisiana	30	11	4	15	50
Maine	376	271	51	54	85
Maryland	382	304	46	32	91
Massachusetts	218	176	21	21	90
Michigan	1,614	1,100	182	332	79
Minnesota	1,216	697	98	421	65
Mississippi	283	111	32	140	50
Missouri	1,472	976	135	361	75
Montana	22	8	4	10	54
Nebraska	909	548	145	216	76
Nevada	2	----------	1	1	50
New Hampshire	198	142	23	33	83
New Jersey	184	136	23	25	86
New Mexico	3	3	----------	----------	100
New York	1,680	1,293	206	181	89
North Carolina	1,017	438	310	269	73
North Dakota	142	34	43	65	54
Ohio	2,264	1,525	291	448	80
Oklahoma	234	76	3	155	35
Oregon	156	109	26	21	86
Pennsylvania	1,722	1,104	256	362	79
Rhode Island	29	23	4	2	93
South Carolina	706	281	270	155	78
South Dakota	257	129	37	91	64
Tennessee	1,518	782	227	509	66
Texas	808	449	92	267	67
Utah	47	30	14	3	93
Vermont	261	192	43	26	90
Virginia	818	380	236	202	75
Washington	128	80	22	26	80
West Virginia	173	117	35	21	87
Wisconsin	1,224	810	92	322	73
Wyoming	9	5	4	----------	100
Total	31,711	19,668	4,689	7,354	77

[a] Includes service established November 16, 1903.

Current appropriation.—The amount appropriated for the compensation of rural carriers and clerks in charge of rural substations during the current fiscal year is $12,000,000. Of this, approximately $9,047,630 is required for carriers in the service on June 30, 1903, and adding to this $12,350, which will pay clerks in charge of rural substations, there is left $2,940,000 for the establishment of additional routes. The salaries of the 4,549 carriers already appointed since June 30, 1903, on routes now in operation, including those installed November 16, will aggregate $2,229,981. It is estimated that favorable reports received and approved will average 600 routes per month. At this rate the appropriation now available will be exhausted about March 1, 1904, in establishing service effective up to and including April 1, 1904, and the work of installation of rural routes during the current fiscal year will then have to be discontinued unless a supple-

mental appropriation is made by Congress. The sum of $300,000 will be sufficient to enable the Department to continue the establishment of the service as fast as routes are favorably reported and approved for the remainder of the current fiscal year.

Estimates for 1904–5.—On June 30, 1903, there were pending 11,700 petitions, and 1,702 cases for the investigation of proposed routes have been made up since that date. Of this number 4,549 routes have been established, including service installed November 16. Adverse reports on 1,499 petitions have been made since June 30, 1903. The number of petitions pending November 1, therefore, was 7,354.

Service has been ordered on 717 routes to become operative December 1 and 16, 1903, and orders are being made daily for routes effective January 2, 1904. Approximately 300 petitions have been filed since October 31, 1903, so that the net number of petitions pending is about 6,937.

The average number of petitions filed per month during the past fiscal year was 695, and the average number for the months of July, August, September, and October of that year was 624, while for the corresponding four months of the current fiscal year the average is 425 per month. It is not believed that this decrease will be maintained during the year.

Attention has already been called to the number of special inspection cases pending—2,190. As the service grows this class of cases, covering proposed changes and extensions in existing routes, will increase.

For the purpose of bringing the work of examining proposed routes up to date, and expediting the work of investigating special inspection cases an increase of 36 in the field force of the rural free-delivery service has been recommended, making a total of 175 men for that work.

There are now in operation 19,398 routes. It is estimated that 3,260 additional routes can be established out of the appropriation now available, making 22,678 which will be in operation or ordered established by March 1, 1904. To maintain service on these routes during the fiscal year from July 1, 1904, to June 30, 1905, will require $13,560,000. If Congress should make a supplemental appropriation of $300,000 for the current fiscal year as suggested, additional routes can be established, bringing the number in operation June 30, 1904, up to 24,500. In that event about $15,000,000 will be required to maintain the service during the next fiscal year.

With the number of agents now employed it will require about $3,000,000 additional to enable the Department to establish the service during the fiscal year 1904–5 as rapidly as routes are examined. Should Congress provide for an increased number of agents, as recommended, it will require about $4,000,000 additional, or $19,000,000 to maintain and install the service during the next fiscal year.

Should the maximum salary of the carriers be increased from $600 to $750 per annum, as recommended, it will necessitate an increase in the above estimates of about 25 per cent.

Below is given a statement in detail of the estimates which have been submitted to the Secretary of the Treasury for the maintenance of the service during the fiscal year beginning July 1, 1904:

	Amount.	Increase.	Decrease.
6 division superintendents, at $2,400 (reduction of 2)	$14,400		$4,800
25 rural agents, at $1,600	40,000		
25 rural agents, at $1,500 (10 additional)	37,500	$15,000	
25 rural agents, at $1,400 (10 additional)	35,000	14,000	
25 rural agents, at $1,300 (10 additional)	32,500	13,000	
75 rural agents, at $1,200 (in lieu of 65 route inspectors, at $1,200, 4 route inspectors, at $900; and 6 additional)	90,000	8,400	
Per diem for 100 rural agents, at $4 per diem (increase of 30)	120,000	36,000	
Per diem for 75 rural agents, at $3 per diem (increase of 6)	67,500	5,400	
Incidental and other necessary official expenses of superintendent, division superintendents, and rural agents, livery hire, etc.	50,000	25,000	
Incidental expenses, including collection boxes, furniture, satchels, straps, badges, and the making of maps for use in rural service	250,000	50,000	
Pay of letter carriers and clerks in charge of substations	15,000,000	3,000,000	
Clerks in division headquarters	48,500	1,700	
Total	15,785,400	3,168,500	4,800

Net increase, $3,163,700.

DIVISION OF POST-OFFICE INSPECTORS AND MAIL DEPREDATIONS.

A large number of the inspectors were detailed to the special investigation of certain divisions of the Post-Office Department, which has interfered to some extent with routine work. The result of that investigation is set forth in detail in the special report submitted to you on October 24 of this year. Forty-four indictments were found, involving 31 persons, 10 of whom had been connected with the postal service. Considering the large amount of special work assigned to the inspectors, the work of the various divisions is in excellent condition.

The division of post-office inspectors and mail depredations consists of post-office inspectors, under the charge of the chief post-office inspector, and the division of mail depredations, under charge of a chief clerk, where the records of all depredations upon the mails are kept.

During the fiscal year a larger number of post-office inspectors was employed than during any other year in the history of the postal service. Numerous irregularities were discovered in remote country post-offices, which our inspectors have been unable to reach in former years. In some instances frauds were detected and large amounts collected from dishonest officials, which would not have been discovered had it not been for the unusual vigilance required of the inspectors' force during the year. Certain kinds of crime against the postal laws seem to be on the increase, such as the robbery of railway post-offices, star-route carriers, rural free-delivery carriers, mail messengers, and the robbery of mail boxes. There has, however, been an increase in the number of arrests and convictions for all offenses, the percentage being 1.6 on arrests and 3 on convictions.

The general direction of the force of inspectors and the supervision of all matters pertaining to this branch of the service is vested in the chief inspector, with headquarters at the Department. For convenience and efficiency, the territory of the United States has been apportioned into 15 divisions, each having an inspector in charge, who has the general direction of all matters referred to him and of the inspectors assigned to his division. The results of field investigations and the correspondence from the inspectors are transmitted to the Department through the several inspectors in charge.

The duties performed by post-office inspectors embrace a wide scope and are of great importance to the welfare and integrity of the postal service. They are charged with all investigations in relation to complaints against postmasters and other employees of the postal service; allowances for clerk hire and other expenses for post-offices; the collection of balances due the United States by delinquent and retiring postmasters, and establishment or discontinuance of post-offices, postal stations, money-order offices, and free-delivery service; determining the responsibility of sureties on the official bonds of postmasters at money-order offices; the inspection of the accounts and the management of post-offices; the instruction of postmasters and other employees in the regulations and usages of the service; investigations pertaining to the burning of post-offices and losses of mail locks and keys; the location and change of name or site of post-offices; the wrong payment of money orders, and many cases relating to detentions, losses and irregularities in the registered and ordinary mails, and other violations of the postal laws, as well as special investigations which may be assigned them by the Postmaster-General and the Fourth Assistant Postmaster-General.

During the year 200,729 cases have been referred to the inspectors' division for investigation. The entire number investigated was 210,061, but there were left over from the fiscal year 1902, 94,607 cases, so that we had on hand on July 1, 1903, 85,275 cases.

The division of mail depredations, under the direction of a chief clerk, is located in the Department and is charged with the records, accounts, and correspondence pertaining to this arm of the service. In order that a complete record may be kept, every complaint or inquiry received at this office is jacketed, briefed, and numbered, and for the sake of convenience these complaints and inquiries are divided into classes, as follows:

A.—Complaints relating to the registered mail.

B.—Complaints relating to the ordinary mail, or that which is not registered.

C.—Miscellaneous complaints and inquires affecting the business or employees of the postal service and violations of the postal laws.

D.—Matters pertaining to highway robberies of the mails, robberies of post-offices, and other special depredations.

F.—Complaints and inquires affecting mail matter dispatched to and received from foreign countries.

I.—Annual inspection of money-order post-offices.

R.—Matters pertaining to claims for reward for the arrest and conviction of persons violating the postal laws.

S.—Responsibility of sureties on the official bonds of postmasters.

The total number of cases of all classes made up during the fiscal year 1903 aggregated 200,729, and the total number disposed of 210,061. The cases investigated and closed during the year 1903 consisted of 9,425 A cases, 117,060 B cases, 27,865 C cases, 4,895 D cases, 25,511 F cases, 7,291 I cases, 88 R cases, and 17,826 S cases. There were on hand undisposed of, on July 1, 1903, 3,551 A cases, 50,791 B cases, 14,074 C cases, 2,096 D cases, 4,886 F cases, 5,076 I cases, 56 R cases, and 4,745 S cases, or a total of 85,275 cases.

The totals of cases referred during the last five fiscal years were as follows: In 1899, 144,758; in 1900, 197,996; in 1901, 178,514; in 1902, 182,705; in 1903, 200,729; and the total number of cases closed in

1899, 115,846; in 1900, 169,505; in 1901, 179,084; in 1902, 175,425, and in 1903, 210,061. The number remaining on hand in 1899, 59,254; in 1900, 87,897; in 1901, 87,327; in 1902, 94,607, and in 1903, 85,275.

From the foregoing figures it will be observed that the cases referred to inspectors for the four years ended June 30, 1902, averaged annually 175,993, and the total number of cases closed during the same period showed an annual average of 159,965. The total number of cases referred to inspectors during the fiscal year 1903 aggregated 200,729, showing an increase of 24,736 as compared with the annual average of the preceding four years, and the total number of cases closed during the fiscal year 1903 aggregated 210,061, showing an increase of 50,096 as compared with the annual average of cases closed during the preceding four years.

It also appears that the total number of C cases referred to inspectors during the fiscal year 1903 was 16,588, while during the fiscal year 1902 41,527 such cases were referred. This apparent decrease is due to the fact that two separate classes of cases were segregated from the C class, as mentioned in the annual report for the fiscal year 1902. The total number of cases relating to the annual inspection of money-order post-offices (10,794) and to the investigation of the responsibility of sureties on the official bonds of postmasters (14,632) referred during the fiscal year 1902, and included in class C in the annual report for that fiscal year, was 25,426. During the fiscal year 1902 there were referred to inspectors for investigation 41,527 cases of class C, of which 25,426 related to the annual inspection of post-offices and to responsibility of sureties on the official bonds of postmasters, leaving a balance of 16,101 cases as a basis for comparison with the number of cases of Class C referred during the fiscal year 1903. It is evident that there was an increase of 487 in the number of cases of Class C referred during 1903 as compared with the number of cases of the corresponding class referred during 1902. The apparent decrease in the number of C cases investigated and closed during the fiscal year 1903 (27,865), as compared with the number of the same class investigated and closed during the fiscal year 1902 (52,056), is due to the same cause.

The aim of the office has been to increase the efficiency of this branch of the service by close scrutiny of reports received during the year, for the purpose of requiring uniform methods in the several divisions throughout the country and securing the highest standard of work possible from inspectors in the field. That this has had the effect of stimulating the members of the force to greater efforts is apparent from the more satisfactory character of the investigations made, as evidenced by the more complete, concise, and carefully prepared reports submitted.

The number of offices inspected during the year ended June 30, 1903, was 21,375, while the number of money-order offices in existence at the end of the fiscal year 1903 was 34,547. It will thus be seen that about 13,172 money-order offices were not inspected. The offices not visited are naturally the smaller ones, and those more difficult of access; and, while the revenue from these offices would not be great, many of the postmasters have continued to employ wrong methods inherited from their predecessors, and in order that they might be given instructions which would insure the correction of irregularities it is necessary that these offices be visited at least once a year by an inspector. The

annual inspections, even without considering the protection to the revenues, have been highly beneficial, and the interests of the service require at least one inspection a year of every money-order office. The number of post-offices inspected during the fiscal year 1903 was 1,926 less than during the fiscal year 1902. This decrease is due to the fact that a number of inspectors were detailed on special service for a period of several months.

A CASES, OR CASES RELATING TO THE REGISTERED MAIL.

All complaints received referring to depredations upon or irregularities in the registered mail are included in Exhibits A, B, and C. Exhibit A shows the total number and character of complaints received and referred for investigation. Exhibit B is composed entirely of complaints which have been investigated and closed during the fiscal year 1903, while Exhibit C is the financial statement relating to cases investigated and returned during the fiscal year 1903. It will be observed that the total number of complaints of this class which were received, jacketed, and assigned to inspectors for investigation during the fiscal year 1903 aggregated 9,775.

As shown by Exhibit B, 9,425 cases were investigated, reported upon, and closed, of which, as indicated by Exhibit C, no financial loss occurred in 5,910 cases, while in 2,856 cases the full amount of the alleged loss was recovered, collected, or paid through indemnity, thus leaving only 659 to represent the actual number of cases in which financial loss was sustained.

A comprehensive idea of the result of work which has been accomplished in this class of cases during the past year can be obtained by a glance at the following table, which shows the average results of the preceding five years:

Year.	Complaints.	Cases investigated.	O. K.	Paid.	Loss.	Pieces handled.
1898	6,445	6,320	3,618	1,834	868	15,600,220
1899	7,034	6,464	3,996	1,673	795	15,900,140
1900	7,165	6,432	3,831	1,848	753	18,386,332
1901	8,033	7,539	4,655	2,034	850	20,814,501
1902	8,747	8,233	5,301	2,138	794	22,831,400
Total for five years	37,424	34,988	21,401	9,527	4,060	93,532,593
Annual average	7,484	6,997	4,280	1,905	812	18,706,518
1903	9,775	9,425	5,910	2,856	659	25,947,414

Cases outstanding July 1, 1897	1,259
Cases outstanding July 1, 1902	3,201

From this it will be seen that the total number of complaints received during the five years was 37,424, and the total number investigated during the five years was 34,988, or an annual average of 6,997 cases investigated and closed, showing an average loss of 812 out of an average of 18,706,518 pieces of registered mail handled yearly, or a net loss of one piece in every 23,037 handled, being 11.6 per cent of the complaints investigated.

A comparison of the office record for the last two fiscal years shows that the total number of complaints affecting the registered mail

received during the fiscal year 1903 was 1,028 more than the total number of the same character received during 1902. The total number of pieces of registered mail handled during the fiscal year 1903 was 25,947,414.

Of 9,425 registered cases which were investigated and closed during the last fiscal year it was found in 5,910 cases no actual loss had occurred, and in 2,856 cases the full amount of the loss alleged was recovered, collected, and paid, thus leaving only 659 cases in which losses were actually sustained, or 6.9 per cent of the total number of cases investigated and closed during the fiscal year 1903.

The 9,425 registered cases above referred to represent complaints from every State in the Union, together with Porto Rico (in which there were 33) and the Hawaiian Islands (in which there were 38). Actual loss occurred in 8 cases in Porto Rico and actual loss was sustained in 1 Hawaiian case. Missouri leads with 794 cases, in which there was actual loss in 24; New York follows with 648, and actual loss in 51; Illinois had 605, with actual loss in 43; Mississippi with 376, and actual loss in 23; Pennsylvania with 364, and actual loss in 24; Louisiana with 353, with actual loss in 31.

In 1900 the loss was 11.7 per cent of the total number of cases investigated and closed, or an average of one piece in every 24,417 handled. In 1901 the loss was 11.2 per cent of the total number of cases investigated and closed, or an average of one piece in every 24,487 pieces handled. In 1902 the loss was 9.6 per cent of the total number of cases investigated and closed, or an average of one piece in every 28,755 handled. While the loss for the fiscal year 1903 was 6.9 per cent of the total number of cases investigated and closed, or an average of one piece in every 39,373 handled.

The above computation is based on the total number of cases investigated and closed during each fiscal year commencing with the fiscal year 1900, and differs from the basis used in former annual reports, which was that of the total number of cases referred, investigated, and closed, being only a portion of the work performed.

Recapitulation of A cases.

Cases outstanding July 1, 1902	3,201
Cases under consideration in the Department July 1, 1902	1,121
Cases referred for investigation	9,775
Total	14,097
Cases closed	9,425
Cases under consideration in the Department July 1, 1903	1,121
Cases outstanding July 1, 1903	3,551
Total	14,097

B CASES, OR CASES RELATING TO ORDINARY MAIL.

All unregistered letters and packages transmitted in the mails are included in the general classification of ordinary mail. Millions of important communications and valuable inclosures are intrusted by the public to the mails yearly, with the confident expectation that they will reach destination in good order and safety; but in the most care-

ful service errors are liable to occur, resulting in delay and occasional loss. It should not be inferred, however, that carelessness or even indifference is tolerated in handling the least valuable piece of ordinary mail. The post-office inspectors are as zealous in their endeavors to locate the criminal whose depredations are confined to ordinary mail as they are in cases involving registered mail, and even greater care is required to locate those who rifle ordinary mail only, because of the lack of facilities for tracing matter of this class.

As showing the importance of placing the name and address of the sender upon the envelope or wrapper, it is only necessary to state that thousands of letters deposited for transmission in the mails are misdirected or not directed at all; and it is often impossible, even with all the facilities afforded by the Department, either to deliver these letters to the addressees or to return them to the writers. It is also important that every depredation upon the mails and losses occurring therein which may come to the knowledge of the patrons thereof should be promptly reported to the Fourth Assistant Postmaster-General, division of post-office inspectors and mail depredations.

As shown in Exhibit D, there have been 112,330 complaints received at this office during the fiscal year 1903 affecting the ordinary mail. Of this number 55,182 referred to letters and 57,148 referred to packages. The above total shows an increase in number of 9,073, or a fraction under 9 per cent, as compared with the number of cases of this class received during the year 1902.

The total number of B cases disposed of during the fiscal year 1903 was 117,060, of which 63,763 cases were received and referred during the fiscal year 1903, and 53,297 cases were received and referred during previous fiscal years. Of the 63,763 cases referred and investigated during the fiscal year 1903, it was shown that no loss had occurred in 14,188 cases, or a fraction over 22 per cent.

C CASES, OR MISCELLANEOUS COMPLAINTS AND INQUIRIES AFFECTING THE EMPLOYEES OR BUSINESS OF THE POSTAL SERVICE.

A reference to Exhibit E will show the number and character of this class of cases referred to inspectors for investigation during the fiscal year ended June 30, 1903, as well as the source from which the requests for such investigation emanated. It will be seen that the number of these references aggregated 16,588, of which 1,529 originated in the office of the First Assistant Postmaster-General, 292 in the office of the Second Assistant Postmaster-General, 930 in the office of the Third Assistant Postmaster-General, 13,221 in the office of the Fourth Assistant Postmaster-General (2,071 in the division of appointments, and 11,150 in the division of post-office inspectors and mail depredations), 49 in the office of the Assistant Attorney-General for the Post-Office Department, and 567 in the office of the Auditor for the Post-Office Department.

At the beginning of the fiscal year 1903 there were 25,351 cases brought forward from the previous year not closed. Add to this the 16,588 received during the year, and we have 41,939 cases to be accounted for. Of this total 27,865 were closed, leaving 14,074 cases on hand July 1, 1903.

The following is a statement, in detail, showing the number of cases relating to violations of the various sections of the Postal Laws and Regulations of 1902.

No. of section.	Subject.	Number of cases.
329, 1578, 555	Irregularities on the part of postmasters in the sale of postage stamps, false returns of cancellations, etc	676
484	Evasion of payment of proper rates of postage	306
499	Lottery matter in the mails	85
497, 498	Scurrilous and obscene matter	1,827
1617	Use of mails for fraudulent purposes	2,942
512	Unlawful use of penalty envelopes	38
266	Post-offices located in barrooms	17
1136 to 1141	Carrying mail by private express	154
1622, 1623	Obstructing the mails	49
1588	Forging or counterfeiting money orders	240
1604	Embezzlement of letters containing inclosures, by postal employees	132
1605	Detaining, opening, or destroying letters, by postal employees	1,061
1609, 1610	Intercepting or stealing mail, by any person	502
1576	Willfully neglecting to deposit postal revenues, by postmaster	139
1583, 1584, 1585	Removing cancellations from postage stamps	503

By reference to Exhibit F it will be seen that during the fiscal year 1903, 27,865 C cases were reported on and finally closed, leaving a balance of 14,074 cases of this class which were not closed.

D CASES, OR CASES REFERRING TO HIGHWAY ROBBERY OF THE MAILS, ROBBERIES OF POST-OFFICES, AND OTHER SPECIAL DEPREDATIONS.

Exhibit H embraces the class of investigations which relates to the robbery and burning of post-offices, wreckings, and other casualties occurring to postal cars, highway robberies of mail trains, messengers, stages, etc. The investigation of this class of cases requires persistent and patient effort on the part of inspectors.

The following is a comparative statement of the depredations and casualties treated in this class of cases during the fiscal years 1900, 1901, 1902, and 1903:

Year.	Robberies.					Mail pouches.
	Post-offices.	Railway post-office service, star routes, rural free-delivery routes, screen-wagon service.	Letter boxes, street and rural free delivery.	Postal cars burned and wrecked.	Post-offices burned.	Loss, damage, rifling, failure to recover.
1900	1,587	23	76	92	586	1,113
1901	1,635	40	158	71	643	1,399
1902	1,746	27	465	74	669	1,504
1903	1,643	117	803	71	557	1,931

The above figures show a decrease in the number of post-offices robbed as compared with the fiscal year 1902, also a decrease in the number of post-offices burned and in the number of postal cars burned and wrecked as compared with previous years noted, except in 1901, the number of postal cars burned and wrecked being the same as in 1903. There is an increase, however, in the number of other depredations and casualties listed. This is accounted for by the expansion of the postal service in its various branches. In this table the number of letter boxes robbed is given as 803, as against 465 for the year 1902 and 158 for 1901. This increase is due to the growth of the rural free-delivery service. It is obvious that boxes placed along the country highways are much more liable to depredations than those along city streets.

At the beginning of the fiscal year 1903 there were 1,493 cases brought forward from the previous years not closed. Add to this 5,498 received during the year and we have 6,991 cases to be accounted for. Of this total 4,895 cases were closed during the fiscal year 1903, leaving a balance of 2,096 cases on hand July 1, 1903.

CLASS F CASES.

Inquiries and complaints relating to international mail matter forwarded to and from foreign countries and in transit across the United States to a foreign country are designated as "F" cases. For the most part these cases are simply inquiries relative to the delivery of foreign matter, which necessarily require considerable correspondence. But few need personal investigation by an inspector. During the year there were 25,703 cases of this class, of which 16,282 related to registered matter, 9,213 to the ordinary mail, and 208 were of a miscellaneous nature. To the 25,703 cases received there should be added 4,794 cases which were on hand at the beginning of the fiscal year 1903, making a total of 30,497 cases on hand and received during the year. Of this number 25,611 cases were closed.

A total of 15,958 registered cases were closed, and in 15,421 of these investigations demonstrated that no loss had occurred in the registered mails. Thirty-four cases affecting registered matter were closed as chargeable to robberies. One hundred and fifty-seven cases related to losses outside of the United States, 254 cases related to alleged rifling not located, and 92 cases related to losses in the United States. Of the 9,424 cases relating to ordinary matter which were closed during the fiscal year 1903, 3,737 were reported without loss; in 5,687 cases the losses could not be located; 44 cases related to international money orders, and 148 cases were of a miscellaneous character. At the end of the year there were 4,886 cases on hand partially investigated, 395 being in the hands of inspectors. Thirty-seven cases related to investigations in which collections were made and the amount so collected disbursed through this office.

The number of inquiries and replies received during the fiscal year 1903 which required translation into English amounted to 13,470. Of this number 4,858 were translated by the foreign mails division of the Second Assistant Postmaster-General's office and 8,612 were translated by our own force.

The following summary of foreign cases shows the number and character of reports received, the number of cases disposed of during the fiscal year 1903, those remaining on hand from the previous year, and the cases which are now in an incomplete condition:

Summary of F cases.

[Showing the number on hand, received, and disposed of during the fiscal year 1903, and the number not completed at the beginning of the current year, July 1, 1903.]

Cases on hand July 1, 1902	4,794
Cases received during the year relating to registered matter	16,282
Cases received relating to ordinary matter	9,213
Cases received of a miscellaneous character	208
Total	30,497
Cases relating to registered matter closed without loss	15,421
Registered cases in which loss occurred abroad	157
Registered cases closed, showing loss by robbery in the United States	34
Registered cases closed in which loss was not located as between the United States and foreign countries	254
Registered cases closed, showing loss in the United States	92
Total registered cases closed	15,958

Ordinary cases closed without loss	3,737
Ordinary cases closed, loss not located	5,687
Total ordinary cases closed	9,424
Cases relating to international money orders closed	44
Other miscellaneous cases closed	148
Total miscellaneous cases closed	192
Cases closed in which collections were made and sums disbursed through this office	37
Total number of cases closed during the fiscal year 1903	25,611
Cases on hand, unfinished, July 1, 1903	4,886
Total	30,497

CLASS I CASES.

Cases relating to the regular annual inspection of money-order post-offices are included in Class I. This class of cases was established January 1, 1902. Prior to that date they were included in Class C. During the six months January 1, 1902, to June 30, 1902, there were referred for investigation 1,202 cases of this class, of which 281 were reported upon and closed, leaving a balance on hand July 1, 1902, of 921 cases. Eleven thousand four hundred and forty-six cases were referred for investigation during the fiscal year 1903. To this number (11,446) should be added the balance on hand July 1, 1902 (921), making a total of 12,367 cases to be accounted for. Of this total (12,367), 7,291 cases were investigated and closed during the fiscal year 1903, so that there were on hand July 1, 1903, 5,076 cases uninvestigated.

CLASS S CASES.

Cases relating to investigation of the responsibility of sureties on the official bonds of postmasters are included in Class S. This class of cases was established January 1, 1902. Prior to that date they were included in Class C. During the six months January 1, 1902, to June 30, 1902, there were referred for investigation 9,213 cases of this class, of which 5,953 were reported upon and closed, leaving a balance on hand July 1, 1902, of 3,260 cases. Nineteen thousand three hundred and eleven cases were referred for investigation during the fiscal year 1903. To this number (19,311) should be added the balance on hand July 1, 1902 (3,260), making a total of 22,571 cases to be accounted for. Of this total (22,571), 17,826 cases were investigated and closed during the fiscal year 1903, so that there were on hand July 1, 1903, 4,745 cases uninvestigated.

ARRESTS FOR OFFENSES AGAINST THE POSTAL LAWS.

The total number of arrests during the fiscal year, as shown by Exhibit I, was 1,864, of which 1,723 were subject to jurisdiction of United States courts and 141 were subject to the jurisdiction of State courts. Of the former number, 107 were postmasters, 27 were assistant postmasters, 65 were clerks in post-offices, 9 were railway postal clerks, 44 were letter carriers, 37 were mail carriers, and 33 were employed in minor positions in the postal service. The remainder (1,401) were persons not in any way connected with the postal service, and among them were 269 post-office burglars.

Of the number of arrests subject to the jurisdiction of United States courts (1,723), 1,140 were disposed of, resulting in 770 convictions. One hundred defendants were discharged by the grand jury; 133 were

discharged on preliminary examination; 67 were acquitted. In 62 cases proceedings were dismissed, and 8 defendants died awaiting trial; 10 forfeited bail and 3 escaped from custody, leaving 570 cases pending in United States courts on July 1, 1903.

Of the 141 arrests subject to the jurisdiction of State courts, 78 were post-office burglars, the remainder (63) being various offenses not enumerated. Of the total number of cases (141), 106 were disposed of, resulting in 79 convictions and 27 acquittals, leaving 35 cases awaiting trial at the close of the fiscal year 1903.

The following is a comparative statement of the depredations and casualties of this class for the past decade:

Year.	Number of post-offices.	Increase.	Post offices burned.	Increase.	Post-offices burglarized.	Increase.	Burglars arrested.	Increase.
		Per cent.		*Per cent.*		*Per cent.*		*Per cent.*
1893	68,403	1.9	530	6.4	1,195	7.9	228	12.3
1894	68,805	.6	558	5.3	1,621	35.6	351	53.9
1895	70,064	1.8	532	a4.7	1,561	a3.7	423	20.5
1896	70,360	.4	532	.....	1,474	a5.6	470	11.1
1897	71,022	.9	500	a6	1,573	6.7	419	a10.9
1898	73,570	3.5	544	8.8	1,547	a1.7	441	5.3
1899	75,000	1.9	563	3.4	1,481	a4.2	361	a18
1900	76,688	2.2	586	4	1,587	7.2	320	a11.3
1901	76,945	.3	643	9.7	1,635	3	327	2.1
1902	75,924	a1.3	669	4	1,746	6.7	372	13.7
1903	74,169	a2.3	557	a16.7	1,643	a5.9	347	a6.7
1893	68,403	.....	530	.....	1,195	.....	228	.....
1903	74,169	8.4	557	5	1,643	37.5	347	52.2

a Decrease.

From this table it will be noted that while the number of post-offices in the United States has increased 8.4 per cent during the last ten years, the increase in the number of post-offices destroyed by fire during that period has been 5 per cent, and the number of post-office robberies has increased 37.5 per cent, while the increase in the number of post-office burglars arrested has been 52.2 per cent.

IDENTIFICATION OF CRIMINALS.

The matter of identification of criminals is one of importance. The section having charge of this feature of the work has been in operation since July 1, 1899, and is of great value to the service. The Bertillon system of measurement and description is used whenever practicable, and there are now on file in the section the descriptions and histories of many criminals. The identification section, through the chief post-office inspector, is a subscriber to the National Bureau of Identification. To this national bureau are sent photographs, measurements, and descriptions of criminals when arrested, and the information of that institution is at the command of the post-office inspectors.

REWARDS.

The standing rewards offered by the Postmaster-General for the apprehension and conviction of post-office robbers have secured the earnest cooperation of local officers and detective and police forces of the country, resulting in the arrest of a considerable number of particularly bold and annoying depredators of this class.

During the year there have been filed with the Department 78 claims for rewards, and there were on hand, at the close of the fiscal year 1902, 66 claims of this character, making a total of 144 claims under consideration during the fiscal year 1903. Of this number 5 claims were rejected, 56 were on hand at the close of the year, and 83 were

paid, as follows: One claim of $500, chargeable to the appropriation of 1899; 2 claims, making a total of $1,100, chargeable to the appropriation of 1900; 15 claims, making a total of $3,050, chargeable to the appropriation of 1901; 65 claims, making a total of $9,850, chargeable to the appropriation of 1902, the entire number of claims paid during the year making a total of $14,500.

From the above statistics it will appear that no portion of the appropriation of $25,000 for the year 1903 was expended during that fiscal year. There were, however, under consideration at the close of the year 33 claims which, if allowed, will be payable from the appropriation of 1903. This number will be considerably augmented by claims to be filed for recent arrests which relate to offenses committed during the fiscal year 1903. When these claims for award have been adjusted and settled, their payment will consume a large proportion of the amount appropriated.

Attention is called to the fact that during the fiscal year 1903 sixty-five claims, amounting to $9,850, were paid from the appropriation of 1902 (including 2 claims for $600 each, 2 claims for $400 each, 1 claim for $350, and 2 claims for $300 each); 15 claims, amounting to $3,050, were paid from the appropriation of 1901 (including 1 claim for $600 and 2 claims for $400 each); 2 claims, amounting to $1,100, were paid from the appropriation of 1900 (including 1 claim for $1,000), and 1 claim for $500 was paid from the appropriation for 1899.

The beneficial effects resulting from money expended on account of these rewards is apparent, and I respectfully recommend that the appropriation of $25,000 be renewed.

Financial statement.

Division	Cash on hand July 1, 1902.	Cash collected.	Total cash.	Cash disbursed.	Balance on hand July 1, 1903.
Boston	.....	$26,060.42	$26,060.42	$26,030.42	$30.00
Chattanooga	$34.36	29,763.33	29,797.69	29,689.72	107.97
Chicago	6.37	33,711.33	33,717.70	33,717.70	.....
Cincinnati	1.59	18,346.91	18,348.50	18,346.44	2.06
Denver	.....	15,923.34	15,923.34	15,908.73	14.61
Kansas City	.....	32,092.84	32,092.84	32,092.84	.....
New Orleans	13.20	29,688.14	29,701.34	29,691.34	10.00
New York	5.00	17,721.87	17,726.87	17,726.87	.....
Philadelphia	12.16	22,979.28	22,991.44	22,925.29	66.15
St. Louis	1.10	23,591.39	23,592.49	23,592.49	.....
St. Paul	5.00	28,389.42	28,394.42	28,394.42	.....
San Francisco	37.00	3,808.71	3,845.71	3,797.71	48.00
San Juan	.....	2,248.99	2,248.99	2,248.99	.....
Spokane	4.00	16,439.26	16,443.26	16,443.26	.....
Washington	.....	20,967.93	20,967.93	20,964.93	3.00
Total	119.78	321,733.16	321,852.94	321,571.15	281.79

The above table shows, by divisions, the amounts of money collected or recovered and disbursed during the fiscal year 1903.

Adding to $119.78, the amount of cash on hand at the close of the fiscal year 1902, the sum collected during the past year—$321,733.16—the total to be accounted for is $321,852.94. Of this amount, $321,571.15 has been disbursed, leaving an unexpended balance of $281.79 at the close of the year. This money represents collections of balances due from postmasters, penalties for violations, amounts recovered on account of fraudulent use of the mails, and collections of amounts illegally received by postmasters through false cancellations, as well as collections in cases of robberies of post-offices, wrecking of mail trains, highway robberies of mail stages, and moneys received on account of loss in the ordinary and registered mails attributable to carelessness, accident, or larceny.

On March 7, 1903, an investigation was ordered affecting the integrity of certain officials connected with the office of the Assistant Attorney-General for the Post-Office Department, the division of post-office supplies, the free-delivery system, and the division of salaries and allowances. The investigation begun at that time had not been concluded at the close of the fiscal year. More than 40 inspectors were detailed for this work.

In June irregularities connected with the contracts for printing money-order forms were disclosed and were investigated.

As a result of the investigation 17 officials were separated from the service by resignation or removal. Forty-four indictments were found and 31 persons arrested, 10 of whom had been connected with the postal service. A special report covering the details of this investigation has been submitted.

RECOMMENDATIONS.

It is recommended that special agents and route inspectors be hereafter designated rural agents.

That the provision of law that rural carriers shall not be prohibited from doing an express-package business be repealed.

That the maximum salary of rural carriers be increased to $750 per annum for a route of 25 miles or more in length.

The act of June 13, 1898, providing that assistant postmasters, cashiers, and other employees in post-offices of the first, second, and third classes shall give bond direct to the United States, has not proven satisfactory in operation and has raised a number of legal questions, which, if decided in accordance with the contention of sureties and postmasters, may result in serious loss to the Government. Originally a postmaster was responsible under his bond for all moneys received, and it was his duty to account therefor, even if a loss was due to a subordinate. A vexatious question as to responsibility for losses has arisen since the act referred to became effective. If the postmaster makes good the loss there is no provision for him to succeed to the rights of the United States under the clerk's bond. If it should be judicially determined that the bonding of the clerk direct to the United States relieves the postmaster, the Government would have no recourse in the event the loss exceeded the amount of the bond. I therefore earnestly renew my recommendation that the act be repealed, and suggest a law be enacted requiring assistant postmasters, cashiers, and other employees to give bonds to postmasters direct and holding postmasters responsible under their own bonds for any and all acts and defaults occurring at their respective offices.

I further recommend:

That an appropriation be made for the purpose of constructing lookouts wherever, in the opinion of the Postmaster-General, the same may be needed.

That the interstate-commerce law be amended to prohibit common carriers—to wit, telegraph and express companies—or any of their employees from aiding and abetting in the green-goods or lottery swindles or any other scheme carried on partly by mail and partly by common carrier, and which is in violation of the postal laws.

Respectfully submitted.

J. L. BRISTOW,
Fourth Assistant Postmaster-General.

The POSTMASTER-GENERAL.

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U. S. President

Message from the president of the United States to the two

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U. S. President

Message from the president of the United States to the two houses of congress